



MSUKALIGWA MUNICIPALITY

MP302

2012-2013 FINAL BUDGET



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Quality Certificate

I, Thom. Batona Welton Dlamini, Municipal Manager *for on behalf of*
Municipal Manager of Msukaligwa Local Municipality, hereby certify that this
report(s) has/have been prepared in accordance with the Municipal Finance
Management Act and regulations made under the Act and that the information
contained in this report is correct.

Mr. TBW Dlamini
Municipal Manager of Msukaligwa Local Municipality MP302

Signature: 

Date: 31.05.2012

Mayoral Budget Speech

The purpose of the speech will be to provide a high-level summary of the budget that draws on the executive summary and highlights key deliverables during the next three years. The speech will address certain fundamental issues, including the eradication of service delivery backlogs, commencement of new programmes and projects.)

The mayor herewith tables the following report:



Honourable Speaker
The Chief Whip of Council
Honourable Councillors
Municipal Manager and Officials
The Media
Ward Committees and CDW's
The Community, Comrades and friends
Receive our Greetings

Honourable Speaker we are here in this August house today to present the budget for the next financial year. This is truly a people's budget which is a product of a marathon of public consultations with our communities and our social partners to take us to the future and with the same breath, Mr Speaker; we would like to affirm that our march to a future of a Better Life For All is unstoppable!

We would also like state forthrightly that as an ANC-led government we are committed to building a Municipality where in unity, excellence and diligence are common cause, and to build an institution wherein corruption is non-existent.

Step-by-Step Mr Speaker; we are in a process of re-building the confidence of our people to this institution and this is dependent on all of us as the leadership of this institution.

On honest political leadership is a must and together with a diligent and an incorruptible administration; and if we achieve this, Honourable Speaker, our march to a Better Life is certain!!!

Speaker, during the budget consultations one could not miss the feeling of despair, misery and frustration from our people. It would seem that a lot has been done inappropriately in the process of learning how to lead this institution properly. This has had some negative impact on the confidence to our institution.

However, this budget is meant to make a positive step into fixing all that was done wrongly and there is no more time to learn, we need to move with speed in making better the lives of our people.

We are still fortunate, Honourable Speaker, that our people still believe that it is only the ANC that has the capacity and the political will to change their lives for the better, and fellow councillors the commitment we are making through this budget is that our march to a brighter future for our communities is unstoppable.

We also make a vengeful promise to all the Dragons of doom who are hell-bent at mis-using and stealing from the poor that their time is up!!!

Honourable Speaker, as much as we acknowledge that our communities are still shackled by the hang-over from the horrible laws of apartheid. This can no longer be an excuse for poor service deliver. The Administration needs and must work with speed and efficiency and oversight role will be intense and brutally honest.

Councillors; our people are running out of patience and it is on our shoulders to make this institution to work through our collective wisdom.

Honourable Speaker; as we all know that this is the Centenary Year of our glorious movement the ANC and everybody knows that many paid with their lives for this freedom you and me enjoy today. This budget, Speaker, seeks to pay homage to our fallen heroes by making sure that services are provided equitably and with speed.

As everyone is aware that our manifesto is the instrument we use to guide all our plans and budgets. This budget Honourable Speaker is indeed a product of ANC guidelines and policies that were confirmed by our communities.

Mr Speaker, allow me to briefly reflect on our previous year's success and on our proposed budget for the next financial year.

IN CONCLUSION

Honourable Speaker, We would like to extend our heartfelt appreciation to all our communities across the municipality for braving the cold to be part of the consultation and public participation on the budget.

We thank all honourable Councillors for their passion and contributions to this process, and thank our staff.

And as we close, Mr Speaker, let us re-emphasize that the march to a brighter future for our people is unstoppable!

As I am standing here Honourable Speaker, it is provided for in terms of Section 24 sub-sections 1 and 2 of the MFMA that I table this Annual Budget for the 2012/2013 financial year for your approval.

We Thank You!

"During this year 2012, our government must renew its determination to build in South Africa founded on the principles of the Freedom Charter and our Democratic Constitution; and that we must bring new energy and new ideas into the kind of Society we want to build over the next few decades"

: President J.G. Zuma

January 8 - 2012

1. PURPOSE

The purpose of this item is to table before Council the draft MTREF budget for the financial year 2012/2013, including the two out years for both operating and capital expenditure for noting and approval.

2. INTRODUCTION

The strategy and process mapped out in this document will serve as a guideline to all departments for the compilation of operational business plans and budgets and will be followed by the Council for the 2012/2013 budgets.

3. LEGAL REQUIREMENTS

This item has been compiled in accordance with the Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003 and National Treasury Circulars set out below.

- ☐ MFMA Circular No. 54 - Budget Content and Format 2011/2012 MTREF
- ☐ MFMA Circular No 55 - Budget Content and Format 2011/2012 MTREF
- ☐ MFMA Circular No. 58 - Budget Content and Format 2012/2013 MTREF
- ☐ MFMA Circular No 59- Budget Content and Format 2012/2013 MTREF
- ☐ MFMA section 15-27

The relevant prescriptions of the MFMA section 15 – 19 deals with the budget content and 20 to 27 with administrative matters. The relevant sections for discussion of the budget are as follows:

4. APPROPRIATION OF FUNDS FOR EXPENDITURE

- 4.1. A municipality may, except where otherwise provided in this Act, incur expenditure only-
 - 4.1.1. in terms of an approved budget; and
 - 4.1.2. within the limits of the amounts appropriated for the different votes in an approved budget.

5. ANNUAL BUDGETS

- 5.1. The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- 5.2. In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- 5.3. Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

6. CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

- 6.1. An annual budget of a municipality must be a schedule in the prescribed format-
- 6.2. setting out realistically anticipated revenue for the budget year from each revenue source;
- 6.3. appropriating expenditure for the budget year under the different votes of the municipality;
- 6.4. setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
- 6.5. setting out-
 - 6.5.1. estimated revenue and expenditure by vote for the current year; and
 - 6.5.2. actual revenue and expenditure by vote for the financial year preceding the current year; and
 - 6.5.3. a statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.
- 6.6. An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.
- 6.7. When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents:
 - 6.7.1. Draft resolutions-
 - 6.7.1.1. approving the budget of the municipality;
 - 6.7.1.2. imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and

- 6.7.1.3. approving any other matter that may be prescribed;
- 6.7.1.4. measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
- 6.7.1.5. a projection of cash flow for the budget year by revenue source, broken down per month;
- 6.7.2. any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
- 6.7.3. any proposed amendments to the budget-related policies of the municipality;
- 6.7.4. particulars of the municipality's investments;
- 6.7.5. any prescribed budget information on municipal entities under the sole or shared control of the municipality;
- 6.7.6. particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
 - 6.7.6.1. particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
- 6.7.7. particulars of any proposed allocations or grants by the municipality to-
 - 6.7.7.1. other municipalities;
 - 6.7.7.2. any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers.
 - 6.7.7.3. any other organs of state;
 - 6.7.7.4. any organisations or bodies referred to in section 67(1);
- 6.7.8. the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
 - 6.7.8.1. each political office-bearer of the municipality;
 - 6.7.8.2. councillors of the municipality; and
 - 6.7.8.3. the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
 - 6.7.8.4. the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of-
 - 6.7.8.4.1. each member of the entity's board of directors; and
 - 6.7.8.4.2. the chief executive officer and each senior manager of the entity; and
 - 6.7.8.4.3.** any other supporting documentation as may be prescribed.

7. FUNDING OF EXPENDITURE

- 7.1. An annual budget may only be funded from:
 - 7.1.1. realistically anticipated revenues to be collected;
 - 7.1.2. cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - 7.1.3. borrowed funds, but only for the capital budget referred to in section 17(2).
- 7.2. Revenue projections in the budget must be realistic, taking into account-
 - 7.2.1. projected revenue for the current year based on collection levels to date; and
 - 7.2.2. actual revenue collected in previous financial years.

8. CAPITAL PROJECTS

- 8.1. A municipality may spend money on a capital project only if-
 - 8.1.1. the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2);
 - 8.1.2. the project, including the total cost, has been approved by the council;
 - 8.1.3. section 33 has been complied with, to the extent that that section may be applicable to the project; and
 - 8.1.4. the sources of funding have been considered, are available and have not been committed for other purposes.
- 8.2. Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider-
 - 8.2.1. the projected cost covering all financial years until the project is operational; and
 - 8.2.2. the future operational costs and revenue on the project, including municipal tax and tariff implications.

8.3. A municipal council may in terms of subsection (1)(b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

9. BACKGROUND

As budgeting is central to the process of prioritisation for service delivery and the management of functions within the Municipality, it is eminent that Council, in conjunction with management, determines strategic budget objectives.

The challenges facing the municipality is to find the means to continue to deliver services to the community whilst also improving and expanding the current services to meet increasing needs. The solutions to this challenge from a management perspective are vested in:-

- Increasing productivity;
- Re-prioritising developmental projects and services; and
- Increasing revenue through, inter alia, innovative means of funding service delivery.

The Municipality must also maintain its assets to ensure viable and sustainable service delivery. Similarly, it must maintain its financial capacity and resources to enable the delivery of services and honouring of development obligations.

The budget process is a continuous cycle of planning, implementing, monitoring and reporting. The budget process involves activities relating to at least three budget years simultaneously. The process involves simultaneously assessing how the Municipality is managing the closure of the previous financial year budget, the monitoring of the current year budget and the planning for the next three years' budgets, linked with the IDP.

The MFMA, inter alia, provides that the involvement of Councillors in the budgeting and financial management processes will be:-

- Continuous consultation with the community and other stakeholders in the planning of services and reviewing of performance;
- Ensuring that the budget allocates resources in line with the Council's policy objectives and priorities and the needs of the community;
- Ensuring that the budget is realistic and financially sound before approving the budget and any adjustments;
- Evaluating periodic reports on performance of the budget related to developmental and service delivery plans; and
- Formal reporting activities through annual reports and audited financial statements.

By focusing on these critical aspects, Councillors will be able to provide appropriate political leadership and direction to the Municipality's operations, oversee the preparation of budgets and achievement of financial and non-financial objectives expressed in the budget and IDP.

Council further faces the challenges of guiding, combining, integrating, co-ordinating policies and planning of budgeting processes. Through the joint efforts of politicians, ward committees, citizens and officials, budgets should reflect the needs of the community. The goal is also to empower managers with timeous financial information throughout the year and for Council to take preventative action before a crisis arises.

A comprehensive discussion of the budget process can be read in Chapter 4 of the MFMA and National Treasury MFMA Circulars No 10 and 19. A summarised operational flow of the budget process, as per the notes on the Budget Reform Process, is attached hereto as Annexure A.

10. STRATEGIC FOCUS AREAS AND MUNICIPAL PRIORITY ISSUES

Municipal budgets must reflect policy priorities determined by Councillors who are elected representatives of the community. It is essential that the Municipality by means of the IDP planning process identify the strategic focus areas and prioritise strategic issues.

The priorities are in addition to the departmental objectives presented during the strategic alignment workshop. It is recommended that the Council reconfirm these strategic municipal priority issues to guide the Municipal Manager and other Directors in compiling their respective operational plans and budgets. Council should also place emphasis on the strategic

focus areas and objectives through clear and measurable outputs and derived outcomes that will give clear guidelines to the administration on what has to be achieved. The budget allocations can then be based on these outputs and outcomes.

11. OPERATIONAL PLANS

The absence of detailed operational plans with measurable objectives and outputs results in a budget that simply allocates funds based on previous year's allocations. The preparation of operational plans is subject to Council clearly stating the priorities and targets to be achieved over the next three years to meet community needs. Departments must align their operational plans with the strategic municipal priority issues and identified outcomes and targets of Council.

The strategic municipal priority issues will facilitate the evaluation of existing operations so that Council may determine, if necessary, to continue with all existing functions of a department and to what extent the Municipality desires to continue with same. The functions should also be listed in order of priority to enable Council to consider, where necessary, which functions/activities to increase, scale down and/or abolish.

Detailed operational plans will assist Management with the compilation of the Capital and Operating Budget. After Council has confirmed its strategic municipal priorities issues and determined the outcomes and service targets to be achieved, Directors must prepare and submit operational plans to Council for consideration and approval. These plans should cover at least the following:-

- Measurable objectives;
- Service delivery strategies;
- Key outputs; and
- Performance /service delivery indicators and targets.

Upon approval of the annual budget the Municipal Manager should ensure that Service Delivery and Budget Implementation Plans (SDBIP), in accordance with the MFMA and National Treasury MFMA Circular No 13, be compiled and submitted to the Mayor for approval before commencement of the new financial year. In accordance with the MFMA, these SDBIP's should also form part of the performance agreements of all managers appointed on contract in terms of Section 57 of the Municipal Systems Act (MSA).

12. GENERALLY RECOGNISED ACCOUNTING PRACTICES (GRAP)

The implementation of GRAP played a significant role in the compilation of the Capital and Operating Budgets. The updating of Council's asset register, the financing of assets and the relocation of funds and reserves are some of the key issues that need to be addressed.

13. GENERAL NOTES ON ANNUAL BUDGETS

The annual budget approved by Council must at least contain the following:-

- A balanced operating budget containing expenditure details and realistically anticipated revenue (actual revenue collected matches actual expenditure incurred);
- A balanced budget for capital expenditure that is within realistic funding already secured, together with the projected future financial implications of such capital expenditure;
- Details of borrowing intentions and other liabilities that will increase the Municipality's debt;
- Audited actual results for the previous year; and
- Projected budget outcomes for the current financial year, next year's budget and the outer two years.

In layman's terms, the budget of the Council consists of the operational budget (revenue and expenditure) and the capital budget. The budget must, within the available resources, reflect the Council's IDP and how it will be funded. The MFMA requires Council to approve at least a three-year operating and capital budget.

- Municipalities must aim to ensure that revenue projections are accurate, realistic and collectable.
- The guideline growth limits are only for self-generated revenue sources. It excludes the increased national allocations provided for the purposes of expanding infrastructure and providing basic services to more households.

- Municipalities are requested to ensure that tariff increases remain within the inflation band of between 3 and 6 percent. Any increases in municipal rates and tariffs above the guideline growth limits must be fully motivated and explained to the local and business communities.
- Municipalities are obliged to ensure that their budgets are balanced and all expenditure is fully funded.
- Municipalities must ensure that the IDP is revised and linked to resource allocations in the budget.
- To achieve national objectives, municipalities should also strive to alter the composition of their budgets by spending more on capital and basic services and less on personnel and administration and improve the quality of spending. Municipalities are expected to maintain a clear focus on expanding infrastructure investments to encourage economic growth potential, adding impetus to the national priorities for improved spending in this area.
- On the operating side, it is important to continue to strive to achieve efficiency and productivity gains whilst being mindful of the implication that rapid growth in salaries & allowances will mean for service delivery.
- When preparing the annual budget, the Mayor must take into account the national budget, the relevant provincial budget, the national governments fiscal and macroeconomic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum. This is in addition to consultation with the community and other stakeholders, including district and all local municipalities within the district.

To ensure that a credible budget is compiled it is important to note the following extract from National Treasury MFMA Circular no 28:-

- “Amongst other things, a credible budget is a budget that:
- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;
- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic. Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.”

14. ANNUAL OPERATING AND CAPITAL ADJUSTMENT BUDGET METHODOLOGY

The operational budget is the financial plan, which the Council uses to effect sustainable service delivery within the guidelines of the Council and in terms of affordability. The operational budget also serves as a comprehensive, detailed statement in which the municipality shows how much it intends to spend on the rendering of each service during a particular financial year. The development of the budget will be undertaken using the following divisions:-

15. Departments

16. Revenue and Expenditure categories; and
17. Revenue and Expenditure line items.

The purpose of this type of budgeting is to facilitate control over revenue and expenditure.

The incremental budgeting technique is generally accepted as the basis of cost-orientated budgeting. However, it is of utmost importance that Council ensures an in-depth reviewing of its revenue budget and the goals for each category on an annual basis.

It is also important that the level of spending always be limited by the availability of revenue. Therefore, when the expenditure budget is compiled, the ability of the consumers to pay must always be taken into consideration. New operations and

expansion of operations on the operating budget should therefore be motivated to Council before inclusion in the operating budget. Such operations must be included in departmental operational plans.

18. Operating Revenue Budget

The Council must determine what the total realistic revenue for the Municipality in the new financial year will be. Using actual levied revenue for the first six months of the current financial year and projecting these figures up to the end of the current financial year will determine such possible revenue. This calculation must further be based on realistic and affordable tariff increases.

It is policy of the Council to avoid major price increases for services as it has a negative impact of removing a portion of the consumers' disposable income. However, to be able to provide services and fulfil its responsibilities, the Municipality will have to obtain additional revenue from tariff increases on the various services provided as well as assessment rates. Revising the tariffs consideration was taken as follows:

When municipalities and municipal entities revise their rates, tariffs and other charges for their 2012/13 budgets and MTREF, they need to take into account the labour (i.e. the wage agreements with unions) other input costs of services provided by the municipality or entity, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigent policy. Municipalities should also take into account relevant policy developments in the different sectors (such as the *inclining block tariff* (IBT) proposals from National Energy Regulator of South Africa (NERSA)).

Municipalities should continue to explore appropriate ways of structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to fund the maintenance, renewal and expansion of the infrastructure required to provide the services.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the increases of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target.

In determining the level of revenue and possible changes to tariffs, the amount of possible bad debt must also be determined and provided for.

Employee remuneration and related employee cost forms a significant portion of the total operational expenditure budget. It is therefore of utmost importance that the South African Local Government Bargaining Council (SALGBC) agreement on salary increases and its impact on the remuneration budget is taken into account before final tariff increases are determined annually.

The revenue of the Council is derived from several sources. For budgeting purposes the revenue from the various sources is set out below:-

18.1. Grants and Subsidies

This item consists of subsidies for infrastructural projects(water, sanitation and roads) as well as inter-governmental contributions in the form of equitable share contributions, finance manage grant, water operating subsidy and others as may be determined from time-to-time

18.2. Consumer Revenue

Consumer revenue consists of income generated from the sale of and water, electricity, (trading services) and from amounts levied for sewerage and refuse removal (economical services). With reference to each of the services the following should be noted:-

18.2.1. Water, electricity, sewerage and refuse removal services, as trading services, should be operated to generate a surplus of at least 10%. In the case of the Municipality the cost of supply of water is very low and as such a more significant surplus would still be in order.

18.3. Other Revenue

Departments that provide services, other than consumer services listed above, must at least recover the costs and may generate a surplus. The services include emergency services and fire fighting, etc

19. Operating Expenditure Budget

The expenditure framework must be based on the strategic plans/ IDP, the functional operational plans and the revenue framework.

- 19.1. Where possible, the zero-based budgeting technique is applied to categories of expenditure. This will ensure that an in-depth review of revenue, expenditure and the targets for each category is undertaken during the budget process, resulting in a credible three-year budget, not merely based on an incremental approach. The zero-based type of analysis where all activities are open to review at budget time also allows an opportunity to reallocate resources and avoid continuous growth in budgeted expenditure.
- 19.2. **The following elements have a major impact on the formulation of the expenditure budget:-**
- 19.2.1. Employee remuneration and related employee cost projections;
 - 19.2.2. Repairs and maintenance;
 - 19.2.3. Interest and redemption requirements to service borrowings;
 - 19.2.4. Contributions from the operating budget for capital expenditure; and
 - 19.2.5. Provision for long-term liabilities and other commitments.
- 19.3. A factor that must be included in the preparation of the operational plans is motivations in cases where ongoing commitments and planned work exist. The Council therefore requires that all activities be continuously justified in terms of their outcomes and whether they still meet the Council's strategic priority issues as well as past performance. In other words, an activity that is not performing may be required to be reduced rather than to receive an increased allocation of funds.
- 19.4. The expenditure budget sets out the operating expenses and cash outflows to both internal and external sources. The total expenditure should be reconciled with the cash flow budget. The expenditure budget consists of operating service delivery items and provides inter alia for the following:-

19.4.1. Salaries and Wages – Employee Related Costs

Salaries and wages consist of all remuneration in cash and in kind to employees in return for work performed. This includes allowances and other benefits paid as part of conditions of employment, except social contributions. Social contributions are payments, actual or imputed, made to social insurance schemes to obtain entitlement to social benefits for employees. Employer contributions into a pension fund are an example of a social contribution. Another example is contributions to a medical aid scheme.

It does not include costs of training courses (shown under General Expenses) and costs of contractors. The remuneration of Councillors, including possible full-time Councillors, is also not included in this category as they are not employees of the Municipality. However, the costs relating to contractors who are engaged under the Municipality's basic conditions of service are included – these are essentially employees on fixed term contracts such as all managers appointed on contract in terms of Section 57 of the MSA.

The amount to be budgeted in the capital budget for employee costs must also be reflected and deducted from salaries and wages. It is shown as a contra entry under salaries to avoid double counting operating expenses in Contribution from Operating – Capital Outlays. All capitalised expenditure will be included in the capital budget and therefore any operating expenses such as salaries and wages that are capitalised (thus being part of the capital budget) should be deducted from operating expenses in the operating statement

19.4.2. General Expenses

This section must include all expenses that will be necessary for the Municipality to carry out operations or activities that are not classified under one of the other expenditure groups. Set out below are some of the common general expenditure items:-

- Councillor Allowances: All the costs associated with the remuneration of Councillors, including their allowances and any other benefits paid, is showed in this section as a separate expense. The additional Councillor allowances as promulgated are budgeted for.
- Bulk Purchases: The expenditure for the bulk purchase of electricity and the departmental usage of municipal services is included under this heading. Additional cost for electricity is provided for. The loss on the sale of electricity should be investigated as the additional cost realised as expected but not the additional income budgeted.

- Working Capital Reserve: This is the value of monies unable to be recovered. Each year an estimate should be made of the expected write-off value to be included in this item of the budget. Actual debt written off is an expense to the municipality. Working capital reserve relates to revenue, which is levied, but not paid and cannot be recovered through legal avenues or where costs of recovery might greatly exceed the revenue recoverable. The quantum of this item would relate directly to the revenue collection ratio. For example, if the municipality expects that it will only be able to collect 90 percent of all revenue raised it will include an amount under this item equal to 10 percent of the total revenue raised.
- Collection Costs: This item reflects all costs directly incurred in the recovery of revenue that will not be paid in accordance with an invoice or consumer account and in terms of Council Policies. These costs include commissions and fees charged by debt collection agencies and all costs for legal actions taken to recover debts not debited to the customer. Adequate provision is made as part of the Bad Debt provision.
- Depreciation (GRAP): The full implementation of GRAP is dependent on the identification and recording of assets and their current values. In terms of GRAP, depreciation will be charged as an expense on all fixed assets. As this is not a cash transaction, it has the effect of creating a provision/reserve by reducing the amount in the surplus available for distribution. Accumulated depreciation indicates how much of the assets have been expensed. Adequate provision for depreciation reserve exists. No adjustment is required.
- Contracted Services: This expenditure relates to payments for services provided by external entities. These services may also be referred to as “outsourced services”. Entities rendering these services are not Council owned entities or municipal entities but are independent businesses. The two main types are set out below.
 - Services provided to external parties – where the Municipality contracts out the rendering of services such as refuse removal or electricity supply; and
 - Services provided for the internal functioning of the Council, i.e. corporate services such as internal audit or information technology.

The services may be wholly or partly provided by the external entity. An example of shared service providers could be where an in-house section collects household refuse while a contractor services residential and business customers. Another example could be where a refuse collection service involves an in-house administrative section with a contractor carrying out actual collections.

The Municipal Manager and Chief Financial Officer should ensure that service level agreements are drafted and monthly reports be obtained for all contracted services. The level of service and value for money should be constantly reviewed.

- Deficit on sale of assets (GRAP): In terms of GRAP, the sale of assets will generate either a surplus or a deficit. If the proceeds received on disposal of an asset are greater than the book value of the asset, then a surplus is realised. If the proceeds received are less than the book value, then a deficit will be realised:-
 - A surplus on a sale will be recorded as income/revenue.
 - A deficit on a sale will be recorded as an expense.

The performance of the financial instruments remains constant and no additional loss is expected. The sale of redundant equipment and stock can provide additional income. The amount budgeted for this is R 350 000. It is critical that the Municipality dispose of the redundant and obsolete stock and equipment for GRAP and compliance issues

19.4.3. **Repairs and Maintenance**

This item must include all labour and material costs for the repair and maintenance of the assets of the Municipality. It must include both contracted services and services performed by employees. The total cost of asset maintenance is disclosed in this item to enable an evaluation of asset performance.

It is critical that the asset maintenance plans for all assets with the value of R 250 000 and above be submitted by the departments as part of the IDP and budget process for 2012/2013

Expenditure that maintains an asset in good working order, to ensure asset performance and the useful life originally expected, is not capital and must be shown under this item. "Total Asset Management" requires that a schedule of programmed maintenance should be developed for all assets of the municipality. This ensures that the asset maintains optimal performance and the municipality obtains maximum flow of economic benefits from employment of the asset over its optimum life.

The deferral of maintenance expenditure on assets has the effect of increasing future maintenance costs and also has potential for reducing the economic life of the asset and hence the flow of economic benefits. Deferrals should be indicated clearly in the operational plans.

In determining the estimates under this section, the following should be provided for:-

- New assets to be produced/acquired in the course of the budget year and which would require repairs.
- Capital assets to be sold or disposed of in the course of the year and which would not require further maintenance.

19.4.4. Capital Charges

This section must include the following:-

- Interest on internal loans paid by a functional unit or entity to the financing arm of the Municipality for loans that have been obtained for the capital employed in that function of the organisation. The expenditure for internal interest should be offset by the total income.
- Redemption on internal loans in respect of amounts transferred in redemption of internal loans. The expenditure for internal redemption should be offset by the total income.
- Interest expenses on external borrowings include the interest component of external loan repayments. It also includes borrowings from government agencies, i.e. Development Bank loans.
- Redemption payments on external borrowings include the redemption of the principle component of external loans raised by the Municipality.
- With the implementation of GRAP, redemption payments (or loan principle payments) are a repayment of capital. For annuity loans, loan repayments need to be split into interest and principle components. The total cash outflow will be recorded in the cash flow statement. The interest component will still be shown as an expense while the principle component will be reflected in the balance sheet as a reduction in borrowings.
- Municipal bonds will be treated similarly with interest reflected as an expense and any repayment shown as a reduction in debt and a cash outflow.

19.4.5. Contributions to Capital Outlay

This item normally shows the value of appropriations transferred out of the Operating Sections into the Capital Sections for use in capital expenditure. The details of the application of the funds will be in the capital budget and supporting documents. All capital expenditure, with a value of more than R1 but less than R1 000, should be financed from operating income (contribution to capital outlay) for the 2012/2013 financial period.

The classification of expenditure as "capital" should be based on the definitions contained in guidelines on the budget process. Expenditure is only capitalised if it is for the purposes of acquiring a new or replacement asset, changes the nature of an asset, extends the life of an asset, or increases the performance potential of the asset.

Expenditure that maintains the asset in good working order at the level of performance or useful life originally expected is not capital and is shown under the appropriate section for "Repairs and Maintenance".

In terms of GRAP, capital expenditure (depreciation, impairment, residual value changes, revaluation etc.) will be adjusted constantly to the value and effect of the asset cost in the statement of financial performance and value

recorded in the statement of financial position. Currently, all capital expenditure with a value of more than R1 000 is recorded in the asset register at cost less depreciation only.

19.4.6. Contributions towards Funds

This expenditure group must contain all expenditure items involved in the instances where the Council makes contributions from operating income to certain funds, reserves or provisions. Only contributions determined by legislation and/or Council policy should be included in this section. Currently, the Council contributes towards the following funds:-

- Provision for Bad Debts;
- Bursary Fund;
- Leave Reserve Fund; and

39.10.7 Capital Budget

The driving force behind the implementation of the Council's strategies is the IDP. In terms of the Local Government: Municipal Systems Amendment Act, 2003, Act No. 44 of 2003, the IDP process has to inform the municipal budget and the preparation of the capital budget is based on the capital development priorities approved in the IDP. The capital budget consists of the non-operational needs of the community. The procurement of assets, with a life span of more than one year can be classified as capital expenditure.

A Budget Related Resolutions

MSUKALIGWA MUNICIPALITY

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Mpumalanga Province
South Africa
2350



Civic Centre
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Msukaligwa Municipality Fax: +27 17 801-3851

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CORPORATE SERVICES DEPARTMENT

Certified Council Resolution


Council at its 7th Ordinary Council Meeting held on the 31st of May 2012 under:

Special MC
LM 191 /05/2012 REPORT ON THE BUDGET FOR 2012/2013 FINANCIAL YEAR

RESOLVED AS FOLLOWS:

1. That the annual budget for the financial year 2012/13 and indicative for the two projected outer years 2013/2014 and 2014/2015 be noted as set-out in schedule A1.
2. That the annual budget for the financial year 2012/13 and indicative for the two projected outer years 2013/2014 and 2014/2015 be approved as set-out in the following schedule A1.
3. That operating expenditure by GFS classification reflected in schedule A2 be approved.
4. That the operating revenue by GFS classification reflected in schedule A2 be approved.
5. That the operating revenue by vote as reflected in schedule A3 be approved.
6. That the operating expenditure by vote as reflected in schedule A3 be approved.
7. That operating revenue by source reflected in schedule A4 be approved.
8. That Capital revenue by source reflected in schedule A4 be approved.
9. That Capital expenditure by GFS classification reflected in schedule A5 be approved.
10. That the budget financial position as reflected in schedule A6.

11. That the budgeted cash flows as reflected in schedule A7 be approved.
12. That the cash backed reserves/accumulated surplus reconciliation as reflected in schedule A8 be approved.
13. That the asset management as reflected in schedule A9 be approved.
14. That the basic service delivery measurement as reflected in schedule A10 be approved.
15. That tariffs for 2012/2013 be approved subject to the National Energy Regulator of South Africa (NERSA) approval of the electricity tariffs from 1st July 2012 as follows:
 - a. Electricity tariffs with 8,7% from 1 July 2012 based on the 13.5% increase from Eskom as per our application
 - b. Water tariffs with 12% from 1 July 2012
 - c. Sewerage tariffs with 12% from 1 July 2012
 - d. Refuse Tariffs with 12% from 1 July 2012
 - e. Sundry income 12%.
 - f. Property Rates 8%.
16. That the property rates and service charges adjustment be approved taking the new valuations into consideration.
17. That all amendments to the budget-related policies be approved subject to those policies being referred to By-Laws and Policies Committee and Workshop for Councillors be conducted.
18. That the MTREF budget be submitted to District Council, National and Provincial Treasury for consulting in terms of section 23 of the MFMA.
19. That Capital projects be noted and referred to the Technical Committee to be consolidated within 3 days.
20. That Council approves an overdraft facility of R5, 000,000 with Standard Bank for short term purposes.



Certified as true resolution
Director: Corporate Services
Mr C.A. Habite

31 - 05 - 2012

Date

20. Executive Summary

The 2012/2013 budget preparation and IDP review process were conducted mainly in line with the legislative and regulatory frameworks prescribed by the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and National Treasury Guidelines. The format and contents of this budget document are in accordance with the guidelines contained in *MFMA Circular 28 and 51*, based on the new budget format of 1 April 2009.

The draft budget will be tabled in Council before 1 April 2012 after which it will be followed by an extensive **community consultation** and public participation process. The programme that was followed with the various public meetings held is included on page xx of the budget document. A number of key issues were raised during these public meetings and the Executive Mayor will formally respond to these issues as required by the MFMA.

The **strategic alignment** between national, provincial and district service delivery priorities was also a critical factor during the IDP review and budget preparation process. Alignment between Gert Sibande District Municipality, the Mpumalanga Provincial Government budget and budget guidelines 2013-2015 and the Msukaligwa Local Municipality were important considerations and inputs during the process.

In terms of **free and subsidised services** to indigents, the municipality has increased certain benefits for 2012/2013 in terms of the approved indigent policy. The following are the main benefits offered to registered indigents for which a threshold of a monthly household income of **R2550.00** has been set.

Free electricity of 50kWh per household

6 kiloliters of free basic water

Free Basic Sanitation

Free Basic Refuse removal

Tariff increases

Due to financial challenges the municipality could maintain **tariff increases** within the growth limits set by National Treasury since the municipality must provide services in a sustainable manner. The average tariff increases on electricity is 16%, assessment rates is 8% and all other tariffs have increased with an average of 12%.

Further information on proposed tariff increases, including sundry tariffs, are included on **Annexure C**

The majority of the **budget-related policies**, such as the inventory, investment of surplus funds and budget policies were developed, whilst indigent and tariff policies remain unchanged. However, the following policies we revised credit control and debt collection policy, supply chain management policy, asset management policy, petty policy, property rates, and cash and investment are recommended to council for approval. The revised policy is attached as **Annexure D**

In terms of the municipality's **financial strategy and position** own revenue constitute close to 70% of the total operating revenue of the municipality, whilst government grants and subsidies contribute on approximately 30% to total revenue.

A summary of the operating and capital budget proposals over the medium-term, in terms of the attached budget schedules, is provided in the table below.

SUMMARY FOR OPERATION BUDGET FOR 2012/2013

EXPENDITURE

Description	2012/2013	%	2013/2014	%	2014/2015	%
EMPLOYEE SALARIES AND ALLOWANCES	105 124 048	22.90	110 526 131	23.16	115 631 865	23.24
SOCIAL CONTRIBUTIONS	25 964 743	5.66	27 340 898	5.73	28 662 129	5.76
COUNCILORS REMUNERATION	9 681 625	2.11	10 194 750	2.14	10 694 294	2.15
TOTAL EMPLOYEE/COUNCILORS RELATED	140 770 416	30.66	148 061 779	31.03	154 988 288	31.15
DEPARTMENTAL GENERAL EXPENSES	36 725 841	8.00	38 676 387	8.11	40 489 496	8.14
FINCIAL SERVICES - GENERAL EXPENSES	7 885 143	1.72	8 303 063	1.74	8 709 828	1.75
BULK PURCHACES	131 776 426	28.71	138 760 577	29.08	145 559 844	29.25
CONTRAL SERVICES - GENERAL EXPENSES	25 298 800	5.51	22 533 688	4.72	23 851 707	4.79
LOSS ON SALE OF ASSETS	90	0.00	91	0.00	99	0.00
COLLECTION COST	500 000	0.11	526 499	0.11	552 200	0.11
TOTAL GENERAL EXPENSES	202 186 300	44.04	208 800 305	43.76	219 163 174	44.04
REPAIR AND MAINTENANCE	21 625 675	4.71	22 372 021	4.69	23 465 567	4.72
INTER-DEPARTMENTAL CHARGES	36 248 368	7.90	39 647 632	8.31	40 824 988	8.20
DEPRECIATION	27 039 766	5.89	28 586 971	5.99	29 687 721	5.97
CONTRIBUTIONS TO PROVISIONS	32 463 790	7.07	34 187 333	7.17	34 223 200	6.88
CONTRIBUTIONS FROM PROVISION	4 620 000	1.01	4 864 860	1.02	5 103 239	1.03
SUB-TOTAL EXPENDITURE (GROSS)	121 997 599		486 520 901		508 456 177	
TOTAL AMOUNTS CHARGED OUT	-8 911 850		99 384 183		-9 833 184	
TOTAL EXPENDITURE (NETT)	456 042 465		477 136 718		497 622 993	
INCOME						
USER / LEVIED CHARGES	-266 084 531	57.96	-280 187 010	51.44	-293 916 175	52.04
TARIFF CHARGES LEVIED	-447 073	0.10	-366 536	0.07	-384 496	0.07
TARIFF CHARGES OTHER	-3 592 711	0.78	-3 783 119	0.69	-3 964 331	0.70
GOVERNMENT. GRANTS & SUBSIDIES	-109 421 026	23.84	-116 242 151	21.34	-126 087 003	22.33
GOVERNMENT GRANT AND SUBSIDIES	-77 862 646	16.96	-63 193 000	11.60	-64 256 000	11.38
FINES	-498 195	0.11	-524 600	0.10	-550 314	0.10
INTEREST	-7 789 158	1.70	-8 216 726	1.51	-461 896	0.08
RENT FACILITIES AND EQUIPMENT	-1 870 943	0.41	-1 970 109	0.36	-2 065 469	0.37
LICENSES AND PERMITS	-2 270 000	0.49	-2 390 310	0.44	-2 507 435	0.44

AGENCY SERVICES	-4 586 915	1.00	-4 830 021	0.89	-5 066 683	0.90
PROFIT SALE OF ASSETS	-31 147 750	6.78	-32 798 581	6.02	-34 405 711	6.09
OTHER INCOME	-1 906 126	0.42	-2 008 147	0.37	-1 558 003	0.28
OPERATING INCOME GENERATED	-431 633 278	94.02	-515 777 238	94.69	-534 454 534	94.63
INCOME FOREGONE	3 343 775	-0.73	3 520 995	-0.65	3 343 775	-0.59
DIRECT OPERATING INCOME GENERATED	-428 289 503	93.29	-512 256 243	94.05	-530 761 011	93.98
INTERNAL TRANSFERS	-30 786 530	6.71	-32 418 216	5.95	-34 006 708	6.02
TOTAL OPERATING INCOME -	-459 076 033		-544 674 459		-564 767 720	
TOTAL EXPENDITURE	459 062 505		477 136 718		497 622 993	
TOTAL OPERATING INCOME -	-459 076 033		-544 674 459		-564 767 720	
TOTAL OPERATING SURPLUS / DEFICIT	-13 528		-67 537 741		-67 144 727	
CAPITAL GRANTS RECEIVED	-77 862 646		-63 193 000		-64 256 000	
OWN FUNDS	-4 000 000		-4 000 000		-4 000 000	
SURPLUS	-81 862 646		-67 193 000		-68 256 000	

MP302 Msukaligwa - Table A1 Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	31 96	36 845	42 273	45 495 190	45 505	45 505	47 153	58 073 220	61 151 231	64 147 243
Service charges	103 596	127 070	155 543	249	190 276	190 276	157 556	229	989	353
Investment revenue	1 756	772	741	600	600	600	385	416	438	460
Transfers recognised – operational	53 700	89 162	86 102	36 046	37 332	37 332	91 214	532	416	127
Other own revenue	49 778	70 400	65 495	36 689	113 753	113 753	27 930	69 826	76 100	57 112
Total Revenue (excluding capital transfers and contributions)	240 434	304 249	350 152	369 878	447 517	447 517	324 237	459 076	487 094	492 409
Employee costs	84 450	90 371	102 932	120 131	114 865	114 865	101 868	138 089	141 877	151 900
Remuneration of councillors	6 466	6 946	7 464	9 055	9 055	9 055	8 269	9 682	10 195	10 694
Depreciation & asset impairment	18 473	20 166	28 152	25 482	25 482	25 482	–	6 614	6 352	6 774
Finance charges	8 070	9 109	9 467	11 402 107	11 861	11 861	10 854	12 490 131	13 155 138	13 799 145
Materials and bulk purchases	50 584	66 590	91 979	819	107 534	107 534	96 347	849	837	640
Transfers and grants	16 883	21 987	24 614	35 151	35 151	35 151	21 487	37 917 118	39 915 132	21 903 138
Other expenditure	57 105	67 771	70 040	89 563	88 606	88 606	46 435	422	535	193
Total Expenditure	241 530	283 239	334 649	398 601	392 853	392 853	285 261	455 063	482 865	488 903
Surplus/(Deficit)	(1 096)	21 009	15 504	(28 723)	54 663	54 663	38 976	4 013	4 228	3 505
Transfers recognised – capital	–	–	–	–	–	–	–	44 058	45 563	47 156
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	33 804	30 550	34 100
Surplus/(Deficit) after capital transfers & contributions	(1 096)	21 009	15 504	(28 723)	54 663	54 663	38 976	81 876	80 342	84 761
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(1 096)	21 009	15 504	(28 723)	54 663	54 663	38 976	81 876	80 342	84 761
Capital expenditure & funds sources										
Capital expenditure	27 390	41 495	42 448	39 371	68 921	68 921	42 254	81 863	80 325	83 422
Transfers recognised – capital	24 538	37 393	10 453	22 718	22 718	22 718	40 521	44 058	45 563	44 903
Public contributions & donations	–	–	1 618	–	2 527	2 527	–	33 804	30 550	34 100
Borrowing	3 551	1 363	4 748	–	2 000	2 000	–	2 000	2 106	2 209
Internally generated funds	3 603	3 650	1 057	500	2 169	2 169	1 771	2 000	2 106	2 209
Total sources of capital funds	31 692	42 407	17 875	23 218	29 415	29 415	42 292	81 863	80 325	83 422
Financial position										
Total current assets	65 581	78 981	117 395	144 736	144 736	144 736	140 272	173 905	214 966	265 905
Total noncurrent assets	224 804	245 034	255 041	266 792	266 792	266 792	262 044	278 574	290 167	301 413
Total current liabilities	45 726	54 488	87 701	75 886	75 886	75 886	90 547	105 234	110 876	114 532
Total noncurrent liabilities	15 635	19 897	24 459	29 052	29 052	29 052	29 052	34 906 312	42 377 351	52 087 400
Community wealth/Equity	229 024	249 630	260 276	30 657	30 657	30 657	306 571	206	900	699

The total revenue budget for the year is R540 938 679 whilst total expenditure budget is R540 925 151 and there is a surplus of R13 258. Operating revenue is R459 076 0335 and capital revenue is R81 862 646. Operating expenditure is R459 062 505 and capital expenditure is R81 862 646.

EXPLANATORY NOTES ON BUDGET

REVENUE COLLECTION ANALYSIS

USER LEVIES CHARGES

User charges contribute 57.97% of the total revenue budget of which the main contributor is sale of electricity followed by assessment rates, water, sewerage, refuse removal

TARIFF CHARGES OTHER

The other tariff charges contribute 0.88% to total revenue collected.

GOVERNMENT GRANTS AND SUBSIDIES

Operational government grants are contributing 40.80% to the total revenue budget whilst capital grants contribute 12.43%

FINES

Fines contributed only 0.11% to total revenue budget.

INTEREST

Interest has contributed 1.70% to the total revenue budget.

RENTAL FACILITIES AND EQUIPMENTS

This type of revenue contributed 0.41% to total revenue budget.

LICENSES AND PERMITS

Revenue on these line items contributed only 0.49% to total revenue budget.

AGENCY FEES

Agency services contribute 1.00% to total revenue budget.

PROFIT ON SALE OF ASSETS

Profit on sale of assets contributed 6.78% of total revenue budget, of which the main contributor is sale of even is the main contributor.

OTHER INCOME

Other income contributed only 0.42% to total revenue budget.

INCOME FOREGONE

Income forgone is standing at 0.65%, which is for incentives for assessment rates.

INTERNAL TRANSFERS

Internal transfers are standing at -0.73%.

Income

When determining the tariffs which must be charged for the supply of the four major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- * Cost of bulk purchases in the case of water and electricity.
- * Distribution costs.
- * Distribution losses in the case of electricity and water.
- * Depreciation expenses.
- * Maintenance of infrastructure and other fixed assets.
- * Administration and service costs, including:

service charges levied by other departments such as finance, human resources and legal services;
reasonable general overheads, such as the costs associated with the office of the municipal manager;

adequate contributions to the provisions for bad debts and obsolescence of stock;
all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).

That the property rates and service charges adjustment be approved in principle as follows:

Assessment rates will be adjusted taking the new valuations into consideration at a tariff of 8%
Electricity tariffs with 8.7% from 1 July 2012 based on the 13,5.% increase from Eskom
Water tariffs with 12% from 1 July 2012
Sewerage tariffs with 12% from 1 July 2012
Refuse Tariffs with 12% from 1 July 2012
Sundry income 12%.

General Expenditure

The current cpix increase identified by National Treasury is approximately 5.9%. The general increases in the budget follow this guide but in certain cases the tariffs are increased in line with actual costs and out of this guideline increases. These items relate to maintenance, fuel, telephone and contracted in services. In order to cover actual costs the increase budgeted for is 16%.

Capital Expenditure

All funds received from grants are budgeted for. Own contributions to capital is limited to the purchase of vehicles, equipment, computer equipment and purchase of land

Categories

Council should divide the capital budget between contractually committed projects, continually compelled projects and new projects.

Contractually Committed (Type A Projects)

Contractually committed projects are those for which formal arrangements already exist.

Continually Compelled (Type B Projects)

The main focus areas of the continually compelled projects are the strengthening and expansion of networks and the replacement or reconstruction of existing infrastructure. The Technical Department identify type B projects and the main focus is on the protection of the Municipality's assets. Examples of Type B projects are the replacement of worn out water and sewer networks. Any expenditure that simply ensures that the asset remains in good working order, retain its original characteristics of performance and useful life will be expensed in the operating budget. Type B projects represent projects that are necessary and executed to extend the life span of assets.

New Projects (Type C Projects)

This category comprises of new projects of a capital nature for which the need has been identified through the IDP process.

Wages

The wages agreement reached in 2009 has lapse so there will still be negotiations but National Treasury has approved a wage increase of CPI of 5.9%.

PERSONNEL COSTS

Employee cost and councillors allowances against total expenditure budget is 31.03%. Employee costs contributed 28.560% and councillors allowances contributed 2.11%. No vacant posts were budgeted for due to financial challenges.

MP302 Msukaligwa - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	R ef	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
<u>Councillors (Political Office Bearers plus Other)</u>	1	A	B	C	D	E	F	G	H	I
		6	7	7	8	8	8	9	9	10
Basic Salaries and Wages		532	042	130	556	556	556	168	654	127
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance		–	–	–	–	–	–	–	–	–
Cellphone Allowance		–	–	334	499	499	499	514	541	567
Housing Allowances		–	–	–	–	–	–	–	–	–
Other benefits and allowances		–	–	–	–	–	–	–	–	–
Sub Total - Councillors		6	7	7	9	9	9	9	10	10
		532	042	464	055	055	055	682	195	694
% increase	4		7.8%	6.0%	21.3%	–	–	6.9%	5.3%	4.9%
<u>Senior Managers of the Municipality</u>	2									
		3		2	4	4	4	5	5	5
Basic Salaries and Wages		068	–	802	767	767	767	160	433	699
Pension and UIF Contributions		–	–	–	–	–	–	–	–	–
Medical Aid Contributions		–	–	–	–	–	–	–	–	–
Overtime		–	–	–	–	–	–	–	–	–
Performance Bonus		–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	3	–	–	–	–	–	–	–	–	–
Cellphone Allowance	3	–	–	–	–	–	–	–	–	–
Housing Allowances	3	–	–	–	–	–	–	–	–	–
Other benefits and allowances	3	–	–	–	–	–	–	–	–	–
Payments in lieu of leave		–	–	–	–	–	–	–	–	–
Long service awards		–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	6	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality		3		2	4	4	4	5	5	5
		068	–	802	767	767	767	160	433	699
% increase	4		(100.0%)	–	70.2%	–	–	8.2%	5.3%	4.9%
<u>Other Municipal Staff</u>										
		84		68	77	77	77	83	87	92
Basic Salaries and Wages		385	–	927	103	103	103	664	929	001
Pension and UIF Contributions		–	–	071	237	237	237	023	925	786
Medical Aid Contributions		–	–	834	002	002	002	192	627	049
Overtime		–	–	041	311	311	311	704	112	443
Performance Bonus		–	–	–	–	–	–	–	–	–

		-	-	-	-	-	-	-	-	-
				4	2	2	2	3	3	3
Motor Vehicle Allowance	3	-	-	897	421	421	421	208	378	544
Cellphone Allowance	3	-	-	74	107	107	107	90	95	96
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	-	-	-	5	5	5	6	6	6
Payments in lieu of leave		-	-	-						
Long service awards		-	-	-						
Post-retirement benefit obligations	6	-	-	-						
		84		100	114	114	114	125	132	138
Sub Total - Other Municipal Staff		385	-	844	568	568	568	929	434	595
% increase	4		(100.0%)	-	13.6%	-	-	9.9%	5.2%	4.7%
Total Parent Municipality		93	7	111	128	128	128	140	148	154
		984	042	110	390	390	390	770	062	988
			(92.5%)	1	15.6%	-	-	9.6%	5.2%	4.7%
					128	128	128	140	148	154
					390	390	390	770	062	988
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Senior Managers of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										

Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		93 984	7 042	111 110	128 390	128 390	128 390	140 770	148 062	154 988
% increase	4		(92.5%)	¹ 477.8%	15.6%	-	-	9.6%	5.2%	4.7%
TOTAL MANAGERS AND STAFF	5	87 453	-	103 645	119 335	119 335	119 335	131 089	137 867	144 294

REPAIRS AND MAINTENANCE

Repairs and maintenance budgeted expenditure is 4.71% of the total expenditure budget.

DEPRECIATION

Depreciation contributed 5.89% of the total expenditure budget. Even though is not cash traction, provision must be made in terms of the GRAP accounting standards

PROVISIONS

Contribution to provisions is budget 8.08% of the total expenditure budget, of which the main contributor is provision for bad debts. Provision for bad debts was calculated on a 20% of the total debtors taking into account the collection rate of 80% on the time of preparing this draft budget.

CAPITAL EXPENDITURE

Capital budget is 15 % of the total expenditure budget

EQUITABLE SHARE

The municipality will receive an equitable share grant of R105 157 000

MUNICIPAL INFRASTRUCTURE GRANT

The municipality will receive R 40 377 000

INTEGRATED ENERGY GRANT

The municipality will receive an Integrated Energy Grant of R5 700 000.

MUNICIPAL FINANCE MANAGEMENT GRANT

The municipality will receive R 1 500 000 for Municipal Finance Management Grant.

MUNICIPAL SYSTEMS IMPROVEMENT GRANT

The municipality will receive R 800 000 of Municipal Systems Improvement Grant.

ESKOM - INTEGRATED ENERGY GRANT

The municipality will receive an in kind grant from the ESKOM of R 9 690 000.

GERT SIBANDE DISTRICT

The municipality will receive an in kind grant from the district of R 18 203 620.

DWA – BULK WATER SUPPLY

The municipality will receive an in kind grant from the Department of Water Affairs of R 6 000 000

General

The budget legislation as well as procedures was highlighted in the adjustment budget report. The budget is realigned to improve visible service delivery and to improve the ability to service the needs of the council to operate on a day to day basis.

The following sections deals with the individual votes as prescribed by the MFMA

MFMA Circulars 10 and 19 provide guidance on the steps in the annual budget process. Critical to the development of a credible budget are: the manner in which the strategic planning process is integrated; the input of policy directions; and consultation with the community and other stakeholders. This section will summarise:

- Political oversight and management of the budget process
- Time schedule relating to the budget process
- Process used to integrate the review of the IDP and preparation of the budget
- Process for tabling of budget and community consultations

Political oversight of the budget process

The Mayoral Committee and Senior Management should convene a strategic planning session to discuss political and strategic priorities that would inform the IDP review and Budget preparation processes.

In regard to budget committees, the Portfolio Head for Finance, assisted by the various portfolio committees/heads and Mayoral Committee provided a political oversight role over the IDP review and Budget preparation processes.

Informal council meetings were also convened to discuss issues pertinent to the budget and to solicit views from councillors on such matters.

The Municipal Manager and Unit managers provided inputs into the process at various management meetings.

Various public participation meetings with residents and ward committees on the annual revisions to IDP were held during the period September 2011 to October 2011. **Schedule of Key Deadlines relating to budget process [MFMA s 21(1)(b)]**

The following time schedule of key deadlines for the preparation of the budget and the annual review of the IDP for the 2012/2013 medium term period was tabled in Council in September 2011 and was approved by council accordingly.

The table below indicates the process that will be followed to compile the Budget and IDP review for 2012/13.

MSUKALIGWA MUNICIPALITY



IDP REVIEW PROCESS PLAN 2012/2013

COMPILED BY OFFICE OF THE MUNICIPAL MANAGER
MSUKALIGWA MUNICIPALITY
P O BOX 48
ERMELO
2350

TEL: (017) 801 3500
FAX: (017) 801 3851

21. IDP Review

DEFINITIONS

SECTOR DEPARTMENT

Sector Departments refer to all Government departments dealing with a certain expertise, e.g. Department of Agriculture or Department of Health.

IDP STEERING COMMITTEE

Legislatively established committee within the Municipality comprising of selected personnel per section within the municipal departments, tasked to scrutinize fine elements of the IDP process.

IDP CHAMPION

An IDP champion is an official who is the head of a section within a department in the Municipality and directly responsible for IDP process.

21.1. STAKEHOLDERS

Stakeholders are persons or organizations having interest in any activity/affairs of the Municipality. This includes government departments and the district municipality.

22. INTRODUCTION

In terms of Section 29 of the Local Government: Municipal Systems Act, 2000, each municipal council must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan. It is therefore the municipality's obligation to fully comply with the said legislation and ensure community and stakeholder participation throughout the planning process in order to realize the objectives of our IDP. This process will also ensure alignment to the District Framework in terms of Section 27 of the Local Government Municipal Systems Act, 2000.

23. BACKGROUND

The municipal Council has as per resolution **LM 1094/05/2011** adopted their Integrated Development Plan for 2012 – 2016. This Process plan is therefore set out in terms of Section 34 of the Local Government: Municipal Systems Act, 2000 to annually review the IDP as adopted by Council for the 2012/2013 financial year. The process plan forms the basis of Municipal Integrated Development Plan which must be aligned with district frame work. The review process is therefore structured as follows:

23. Consultative meeting in a form of General/mass meeting will be conducted in all the Wards of Msukaligwa.
- 23.1.1. After the first exercise has been completed, Ward Development plans will be issued to each Ward Councillor.
 - 23.1.2. These Ward Development Plans seek to solicit specific information from different Wards in terms of the needs of the inhabitants of that Ward.
 - 23.1.3. It therefore becomes duty and function of the Ward Councillor and Ward Committee to co-ordinate the meeting of all role players/section groups e.g. Youth, organization, people, disability, traditional leaders, Civic organization etc. in that particular Ward to participate in completion of that Ward Development Plan.
 - 23.1.4. There are other Wards that stretches from urban to rural areas of which the diversity is catered thorough Ward Development Plans that will be issued and completed to each Community as the needs differ.
 - 23.1.5. After identification of projects and their prioritization, the Ward development plan will be submitted to the IDP office within a specified time frame.
 - 23.1.6. The IDP office will consolidate the information and link the needs with various departments.
 - 23.1.7. Institutional arrangements will be done for consolidation of provisional document in the form of IDP steering committee to prepare for the IDP Representative Forum which is chaired by the Honourable Executive Mayor.
 - 23.1.8. The IDP Steering Committee meeting will then be convened by the IDP Office which is chaired by the Municipal Manager/IDP Manager. It is important to note that the IDP Steering Committee consist of:
 - All Directors from various departments and;
 - DP Champions who are Senior Officials in our Management as appointed from such departments.

23. Each and every department is having an obligation to ensure that all needs prioritized as projects and programmes and are linked to the budget.
- 23.1.1. It is also the duty of each and every Department to prepare business plan to various institutions in order to solicit funding for unfunded projects and programmes.
 - 23.1.2. Projects and programs will therefore be confirmed or prioritize during the compilation of the Ward Development Plan
 - 23.1.3. After the completion of the exercise, the Draft IDP will therefore be handed over to the Office of the Executive Mayor for scrutiny.
 - 23.1.4. On acceptance of the draft document by the Executive Mayor, the draft will be presented to the IDP Representative Forum for inputs/comments, adoption and subsequent submission to Council for adoption.
 - 23.1.5. On approval of the draft by Council, the draft will be made public for comment for a period of 21 days as dictated by legislation.
 - 23.1.6. The IDP Representative Forum chaired by the Executive Mayor consisting of all role players e.g. business community, traditional leaders, political parties, Civic Structures, Religious Communities, NGO, CBO and rural Community etc. will then be convened after the expiry of 21 days of public comment of the document. It is in this meeting where various comments and inputs will be discussed and incorporated into the document.
 - 23.1.7. The refined document with alterations made will again go back to the IDP office for finalization.
 - 23.1.8. The final document will therefore be tabled in Council meeting for final adoption and implementation.
 - 23.1.9. The adoption of the reviewed IDP document will be done before the adoption of the Budget because this is the document that informs the budget.
 - 23.1.10. New proposal received after objection period of the document will be noted and be catered for during the following review.
 - 23.1.11. Attached per **Annexure "C"** is Council resolution **LM 1094/05/2011** giving approval of the 2011-2012 IDP.

MSUKALIGWA LOCAL MUNICIPALITY

The Municipality is a B category Municipality and consists of 19 wards. As a local Municipality, it is the sphere of government closer to people.

- **Municipal Council**

The following are the roles of the Municipal Council in relation to the IDP:

- Approval of the new or revised IDP.
- Consideration and approval of the IDP process plan.

- **Executive Mayor and Mayoral Committee**

The following are the roles of the Executive Mayor and Mayoral committee in the IDP:

- Manage the drafting of the IDP and may assign such responsibilities to the Municipal Manager.
- Monitoring and co-ordination of the IDP review process.
- Submit draft and reviewed IDP to Council.
- Co-ordinate and arrange sittings of the IDP Representative forum Meetings which are chaired by the Executive Mayor.

- **Municipal Manager/IDP Manager**

The following are the roles of the Municipal Manager/IDP Manager in the IDP review process:

- Management of the entire planning and implementation of the IDP processes.
- Ensure participation of all role players in the planning process.
- Preparation and drafting of the process plan.
- Chairing of the IDP Steering committee meeting.
- Ensure compliance and alignment of the planning process with legislative requirements.
- Ensure that the IDP is linked to the performance management and that monitoring, evaluation and review processes are maintained.

- **IDP Steering Committee**

The Committee is constituted by the Municipal Manager, IDP Manager, Directors and IDP Champions within the municipal departments. The following are the roles of the IDP Steering Committee:

- Management of the IDP process plan.
- Establish and provide terms of reference for the IDP Representative Forum.
- Decide on roles and responsibilities.
- Overall management including the appointment of technical consultants.
- Consideration of inputs and comments from public and all other stakeholders.
- Recommendation of service providers.
- Ensuring that projects are captured in the IDP.

• **IDP Representative Forum**

The IDP Representative forum constitute the Executive Mayor as the chairperson, Councillors, Municipal Manager, all directors, community participation structures and any other stakeholders. The following are the roles of the IDP Representative Forum:

- Monitor implementation process of the IDP.
- Represent the interests of the inhabitants of Msukaligwa Municipality.
- Ensure dissemination of information to communities they represent and provide a platform for discussion, negotiation and decision-making between stakeholders and the municipality.

• **IDP TECHNICAL COMMITTEE**

The IDP technical committee will sit at least twice per annum at the Municipality and comprise of the Municipal manager, IDP manager, District IDP manager and Senior Officials from Provincial and National departments. It should be noted that the participating National departments will only be those performing certain functions within the District/Local municipality and do not have Provincial Department performing such functions. The following are the roles of the IDP Technical Committee:

- Considering programmes and projects that need to be aligned to the municipality's IDP.
- To ensure the integration of IDP policies, objectives, strategies and projects into daily functioning and planning of the municipality.
- Ensure dissemination of information from departments to the municipality and other relevant stakeholders.

ROLE PLAYED BY RESPECTIVE STAKEHOLDERS

STRUCTURE	TERMS OF REFERENCE / ROLES & RESPONSIBILITIES
Municipal Council	<ul style="list-style-type: none"> • The Municipal Council will have final say or comment and approval of the new/reviewed IDP. • Will consider the process plan which should set out the process for the development/review of the IDP. • A member of the committee or council to formally submit to the municipal council a proposal to amend the IDP and also give reasons why it should be amended
Executive Mayor and Mayoral Committee	<p>The Mayoral Committee must:</p> <ul style="list-style-type: none"> • Decide on the Process Plan for the development /review of the IDP. • Responsible for overall political direction of the IDP process, and may assign responsibilities to the Municipal Manager • Submit review IDP framework and draft IDP to Council.
Steering committee	<ul style="list-style-type: none"> • Develop terms and criteria for Representative Forum. • Give political direction • Provides terms of reference for the various planning activities • Manage draft action programme. • Commissions research studies or investigations. • Considers and comments on:

	<ul style="list-style-type: none"> - Inputs from sub-committee/s, study teams and consultants - Analyse inputs from stakeholders • This committee will include the following departmental heads / delegated officials: <ul style="list-style-type: none"> - Finance - Corporate Services - Engineering Services - Public Safety - Community Services - Office of the Municipal Manager • Participate in the designing of project proposals and/or assess them.
IDP Technical Committee	<ul style="list-style-type: none"> • Considers and comments on: <ul style="list-style-type: none"> - Inputs from provincial sector departments and support providers - Analyse inputs from stakeholders • Advising the IDP-RF on terms of reference for various Planning activities • Discuss the challenges encountered and recommend possible solutions • Ensure alignment regarding technical matters • Attend to the alignment of the Municipal IDP to sector and district programmes • Deliberate on inter-sectoral programmes and recommendations to the representative forum • Report on progress to be forwarded to the Steering Committee.
IDP Representative Forum	<ul style="list-style-type: none"> • The Executive Mayor or Representative chair the forum meeting. • Inform interest groups, communities and organizations, on relevant planning activities and their outcomes; • Analyze issues, determine priorities, negotiate and reach consensus; • Make recommendations on planning issues to the municipal council
Ward Committees	<ul style="list-style-type: none"> • Link the planning process to their constituencies and/or wards. • Be responsible for organizing public consultation and participation. • Ensure the annual business plans and municipal budget are linked to and based on the IDP.
District and Sector Departments	<ul style="list-style-type: none"> • To provide vital information and support during planning, evaluation and monitoring processes.

2012/2013 IDP REVIEW PROCESS

As required in terms of Section 29 of the Local Government: Municipal Systems Act, 2000, the following processes will be followed by the Municipality to review its IDP. The process plan which in terms of the said legislation, must be set in writing, will be approved by Council.

OVERVIEW OF IDP PHASES

The Integrated Development Plan review process for the 2012/2013 consists of 5 (five) phases which programme is planned to commence in August 2011 and anticipated to be finalized at the end of May 2011. It should also be borne in mind that the final IDP must be adopted by Council in March 2012.

PHASE OF PREPARATION

What need to be done in preparation to plan and consolidate Municipal process plan and District framework?

PHASE 1 (ONE) - ANALYSIS

what do we want to prepare for?

Well understood priority issues.

PHASE 2 (TWO) – STRATEGIES

what benefits do we want to deliver and how do we get there?

efficient and effective strategies

PHASE 3 (THREE) – PROJECTS PLANNING

what project details need to be defined to realize the strategies?

Indicators and basic project implementation information.

PHASE 4 (FOUR) – INTERGRATION

It must be informed by our Inter-Governmental Relations (IGR)

What do we need to manage to make it happen?

Integrated management programmes and plan.

PHASE 5 (FIVE) – APPROVAL

Once satisfied, the IDP document is referred to Council for approval.

THE PROCESS PLAN TIMEFRAME

PREPARATION PHASE

Task	Output	Responsibility	Time frame
Preparation	Steering committee meeting to prepare for the process plan. Preparation and adoption of the IDP review process plan.	IDP Manager/IDP Steering committee.	31 August 2011

PHASE ONE – ANALYSIS

Task	Output	Responsibility	Time frame
Compilation of existing information and Community & stakeholder level analysis	Assessment of existing level services. Availability of resources/ potentials. Report to the IDP Rep. Forum on projects	IDP Manager & Directors	30 September 2011
In-depth analysis of priorities	Reconciling of existing information, priorities & problems. Identify service gaps and priority issues. Understanding the exact nature of issues, trends dynamics, causing factor.	IDP Manager, Directors & IDP champion (IDP steering committee)	31 October 2011
Municipal level analysis: - cross sectoral - over reaching issues/problem	Economic, environmental, institutional, spatial socio-economic analysis, gender, poverty & HIV/AIDS	IDP steering committee. Stakeholders, sectors departments & Municipality	30 November 2011

PHASE TWO – STRATEGIES

Task	Output	Responsibility	Time frame
Vision of the Municipality	Indication of the municipality's Intended long term goals of development Strategic Planning Session	Msukaligwa LM	30 November 2011
Development of objectives and strategies	Priority issues translated into objectives. Develop statement of what the Municipality intend to achieve in a medium term to address issues/problems. Strategy to achieve vision and objectives	IDP steering committee IDP Technical committee.	30 November 2011
Development strategies	Revised objective on vision (if necessary) identified projects	IDP Manager and Directors	30 December 2011

PHASE THREE – PROJECT PLANNING

Task	Output	Responsibility	Time frame
Localized strategy guidelines	Formation of project task team	IDP steering committee	31 January 2012
Development strategies	Preliminary budget allocation per project/programs	IDP steering committee	31 January 2012
Consolidation of project and program	Operational expenditure budget		31 January 2012

PHASE FOUR – INTERGRATION

Task	Output	Responsibility	Time frame
Presentation and discussion of draft projects proposal at the IDP representative forum	<ul style="list-style-type: none"> - Compliance with priorities objectives / guidelines - Feasibility / viability check - Negotiation for Funds - Harmonisation 	IDP Manager Municipal Manager Executive Mayor	31 January 2012

PHASE FIVE – APPROVAL

Task	Output	Responsibility	Time frame
Consolidation of information received	Prepare and submit draft IDP document for Council approval	IDP Manager	29 February 2012
Draft IDP out for public inspection and comments	Comments & inputs received from public on the draft IDP. Legislative requirement	IDP Manager	29 February 2012
Handover of completed IDP document to M.M. for council approval	Approved IDP document	IDP Manager	30 March 2012
Final approved IDP document	Msukaligwa LM complied with legislative requirement	Municipal Council	30 March 2012

24. THE BUDGET COMPILATION PROCESS

In terms of Section 21 of the Municipal Finance Management Act 56 of 2003, the Mayor of a municipality must coordinate the process for preparing the annual budget and for the reviewing of the Municipality's Integrated Development Plan and Budget related policies. Also from the provision of this section, the Mayor must at least ten months before the start of the budget year, table in the Municipal Council the time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget and annual review of the IDP in terms of section 34 of the Municipal Systems Act.

It is from the provisions of the said Acts that the following schedules were developed to provide a framework for the preparation of the budget and IDP processes:

24.1. Steps in the Preparation Process of the IDP and Budget

STEP	PROCESS
1. Planning	Schedule key dates, establish consultation forums, review previous processes
2. Strategizing	Review IDP, set service delivery and objectives for next 3 years, consult on tariffs, indigent, credit control, free basic services, etc. and consider local, provincial and national issues, previous year's performance and current economic and demographic trends etc.
3. Preparing	Prepare budget, revenue and expenditure projections, draft budget policies, consult and consider local, provincial and national inputs or responses.
4. Tabling	Table draft budget, IDP and budget related policies before council, consult and consider formal local, provincial and national inputs or responses.
5. Approving	Council approves budget and related policies.
6. Finalizing	Publish and approve SDBIP and annual performance agreements and indicators.

Target Dates for the Compilation of 2012/2013 Budget

31 August 2011	Table in council the Budget and IDP time schedule according to key deadlines in terms of the MFMA
September / October 2011	Commence with the IDP Review process and Public Participation process.
October 2011	Commence preparation of departmental operational plans and service delivery according strategic objectives
November 2011	Review and draft initial changes to IDP in accordance with public needs and other sector department inputs.
December 2011	Consolidate IDP priorities in accordance with available budget, grant funding from the municipalities or sector departments and Government Grants. Reconcile IDP and Budget priorities and prepare proposed capital budget for next three financial years.
January 2012	Review National Treasury and Provincial Treasury allocations – Incorporate to draft IDP and Budget. Table the draft IDP to council.
February 2012	Review capital and operational budget in terms of allocations, determine tariffs and rates, review related policies and compile the credible draft budget, together with the IDP, to be submitted to council 90 days before the start of the new financial year. The draft IDP out for Public inspection for 21 days. (Table an adjustment budget for 2011/2012)
31 March 2012	Table the final IDP for approval by council. Publish tabled budget and invite comments from the local community. Submit budget to National Treasury and Provincial Treasury and other stakeholders for comments.
1 April 2012	Commence process of consultation on tabled budget
30 April 2012	Conclude process of consultation with community and other stakeholders.
1 May 2012	Commence with the revision of the budget and prepare final budget for consideration by Council before end of May. Amendments to the IDP.
31 May 2012	Table amended IDP and Budget to Council for consideration and approval (Approval before end of June 2012 in accordance with the MFMA)
June 2012	Submit service delivery and budget implementation plans to the Executive Mayor for approval Publish adopted budgets and submit to all relevant stakeholders. (Provincial and National Treasury)

BUDGET CONSULTATIVE PROGRAMME

The Budget Consultative programme couldn't be attached to this Process Plan as it was not yet finalized. Thus the media will be used to publish the Budget Consultative Dates after the approval of such programme by the Speaker.

25. PUBLIC PARTICIPATION

In terms of chapter 4 of Municipal Systems Act of 2000, a Municipality is required to conduct a public participation exercise and that such exercise must be included in the process plan and be made known to the community. In terms of Section 21(1)(a)(b)(c) of Municipal Systems Act of 2000, the Act stipulates that communication or notices by the municipality to the community must be done:-

- in the local newspaper or newspaper of its area;
- in a newspaper or newspapers circulating in its area and determined by the council as a newspaper of record; or
- by means of radio broadcasts covering the area of the Municipality;

In addition to the above prescribed manner of communication to the public, the municipality will use loud hailing and distribution of pamphlets in both English and local language (Zulu) as per **Annexure "E"**, page 33.

PUBLIC PARTICIPATION PROGRAMME

The following are scheduled dates of the Ward meetings which will be held as per timeframe during the entire process as required by the legislation.

DATE	VENUE	WARD	RESPONSIBLE COUNCILLOR	TIME
26 September 2011 Monday	Breyten Civic Hall	Ward 13 Breyten Town	Cllr. Dhludhlu Z C	18:00
27 September 2011 Tuesday	Ella de Bruin	Ward 7, Ward 8 & ptn. of Ward 16	Cllr. Swart H F & Breytenbach Z	18:00
28 September 2011 Wednesday	New Holy Spirit Church	Ward 4	Cllr. Nkosi T S	18:00
29 September 2011 Thursday	Wesselton Community hall	Ward 6	Cllr. Malaza T T	18:00
03 October 2011 Monday	Thuthukani community hall	Ward 17	Cllr. Sibiya B I	18:00
04 October 2011 Tuesday	Kwazanele community hall	Ward 14 (Kwazanele)	Cllr. Msibi S J	18:00
05 October 2011 Wednesday	Agape church building	Ward 2 (Emadamini)	Cllr. Msezane E C	18:00
06 October 2011 Thursday	Sheepmoor Community hall	Ward 11	Cllr. Mnisi L P	18:00
07 October 2011 Friday	Cassim Park hall	Ward 3 (Cassim Park area)	Cllr. Malinga M V	18:00
08 October 2011 Saturday	De Emigratie Primary School	Ward 11(De Emigratie and KwaMahlafuna)	Cllr. Mnisi L P	09:00
08 October 2011 Saturday	New Ermelo Primary School	Ward 16	Cllr. Nkosi Z J	14:00
09 October 2011 Sunday	Umzimvelo Agricultural school	Ward 18	Cllr. Vilakazi S E	18:00
10 October 2011 Monday	Ithafa Comprehensive School	Ward 1	Cllr. Nkosi M P	18:00
11 October 2011 Tuesday	Davel Community hall	Ward 10	Cllr. Nkosi S M	18:00
12 October 2011 Wednesday	Silindile Community hall	Ward 15	Cllr. Jele S L	18:00
13 October 2011 Thursday	Silindile Community hall	Ward 12	Cllr. Dladla K H	18:00
14 October 2011 Friday	Warburton sports ground	Ward 19	Cllr. Sibeko P T	17:00
15 October 2011 Saturday	Chrissie High School	Ward 19	Cllr. Sibeko P T	08:00
16 October 2011 Sunday	Wesselton Primary School	Ward 9 (Wesselton ext. 4)	Cllr. Mhlanga M J	08:00
17 October 2011 Monday	Bashele Primary School	Ward 5	Cllr. Mabasa F J	18:00
18 October 2011 Tuesday	Thuthukani Hall	Ward 17	Cllr. Sibiya B I	18:00

It is therefore required that Councillors should partake in the entire consultative process. Loud hailing will be done and notices will be published/issued at all wards in addition to notices issued in terms of Section 21 of the MSA.

MSUKALIGWA IDP REPRESENTATIVE FORUM

The IDP representative forum shall sit quarterly on the following dates to enable the municipality to report back on progress made and future planning of the municipality.

SCHEDULE FOR MSUKALIGWA IDP REPRESENTATIVE FORUM

29 September 2011	14:00	Ella de Bruin Hall
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06 December 2011	14:00	Ella de Bruin Hall
28 March 2012	14:00	Ella de Bruin Hall
21 June 2012	14:00	Ella de Bruin Hall

MSUKALIGWA IDP STEERING COMMITTEE

The IDP steering committee shall sit as per schedule below and on an ad hoc basis should need arises to deliberate on urgent matters. The following are scheduled dates for the sitting of the IDP Steering Committee:

SCHEDULE FOR MSUKALIGWA IDP STEERING COMMITTEE

25 July 2011	09:00	Library Auditorium
19 October 2011	09:00	Library Auditorium
08 December 2011	09:00	Library Auditorium
16 January 2012	09:00	Library Auditorium
13 March 2012	09:00	Library Auditorium
16 May 2012	09:00	Library Auditorium

MSUKALIGWA IDP TECHNICAL COMMITTEE

The local technical committee meetings shall be held bi-annually to plan and consider alignment programmes and projects from sector departments. This committee shall consist of municipal officials and local sector departments.

SCHEDULE FOR MSUKALIGWA IDP TECHNICAL COMMITTEE

22 November 2011	10:00	Library Auditorium
14 March 2012	10:00	Library Auditorium

DISTRICT CONSULTATIVE MEETINGS

IDP REPRESENTATIVE FORUM

12 August 2011	10:00	New Council Chamber
20 October 2011	10:00	New Council Chamber
26 January 2012	10:00	New Council Chamber
19 April 2012	10:00	New Council Chamber

IDP MANCOM MEETINGS

07 July 2011	10:00	Boardroom
08 September 2011	10:00	Boardroom
10 November 2011	10:00	Boardroom
19 January 2012	10:00	Boardroom
15 March 2012	10:00	Boardroom
08 May 2012	10:00	Boardroom

1. MECHANISMS AND PROCEDURES FOR ALIGNMENT

It is of critical importance that the Municipality should align its 2012/2013 IDP review process to ensure alignment of National, Provincial and District programmes. Alignment will therefore be done taking into consideration the National targets (state of the Nations address, state of the Province address, millennium targets and the Provincial growth and development strategy.

The inter-governmental relations shall be strengthened in terms of the Intergovernmental Relations Framework to ensure cascading of information from National to Local level. The District as well as the Provincial departments will therefore be required to provide assistance to the municipality in compilation of outstanding sector plans in order to come up with a credible IDP.

2. COST ESTIMATES FOR THE PLANNING PROCESS

The following figures are cost estimates for the review process of the IDP:

Item	Cost Estimate
Public Participation <ul style="list-style-type: none">▪ Adverts▪ Workshops and venues▪ Catering	R 60 000.00
Printing <ul style="list-style-type: none">▪ Copying▪ Binding Stationery▪ Stationery	R 44 000.00
Service Provider <ul style="list-style-type: none">▪ Consultants/Professional Fees	None (District/COGTA)

3. BINDING LEGISLATION

The municipality shall at all times comply with all relevant legislative requirements during the whole process. See attached annexure listing all relevant legislation to be adhered to.

4. CONCLUSION

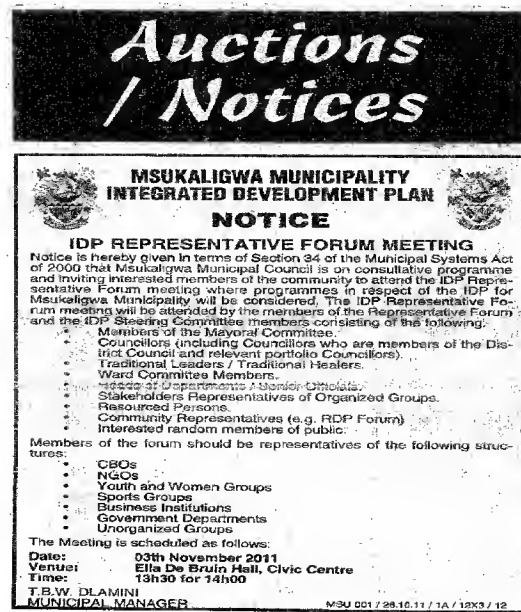
All Councillors, Municipal Manager, Directors and their respective department are required to comply with Msukaligwa Local Municipality process plan. The key role players should ensure that they are working within the set time

- **Process used to integrate the review of the IDP and preparation of the budget**

The IDP Steering Committee consisting of key political office bearers and senior management ensured that issues relating to the IDP and budget preparation are managed and dealt through an integrated and holistic approach.

All IDP related matters having an impact on resource allocations and the budget in general are therefore handled more appropriately by the Steering Committee.

HIGHVELDOR: FRIDAY 28 OCTOBER 2011



- **Process for tabling of budget and community consultations**

In terms of section 24(1) of the MFMA, the mayor must table the annual budget at least 30 days before the start of the budget year.

The draft 2012/2013 MTREF Budget of the municipality was be tabled on 29 March 2012.

The following table provides a clear illustration of the types of consultations, stakeholders involved, dates on which the various consultations took place and the respective venues.

TRUSUND : TUESDAY 20 SEPTEMBER 2011

MSUKALIGWA MUNICIPALITY IDP Process Plan

NOTICE FOR PUBLIC INSPECTION OF THE 2012/2013 IDP REVIEW PROCESS PLAN

Notice is hereby given in terms of Section 28 of the Municipal Systems Act of 2000 that Msukaligwa Municipal Council will be commencing with the process of reviewing its 2011/2012 IDP and therefore interested parties and members of the community may comment on the processes to be followed in reviewing the IDP.

The IDP Process Plan will be out for inspection during normal office hour (08:00 to 16:00) for a period of 14 (fourteen) days from the 20th of September 2011. The document will be available for inspection at the following venues:

PLACE	VENUE	ADMIN UNIT
Cnr. Church & Taule Street (Ermele Library)	Civic Centre	Ermele
Municipal Offices	Wessellon Ext. 1	Wessellon
Pre-paid office	Thusivile	Wessellon ext. 3, 4, 6 & Mazekhela
Davel Library	Davel	Davel
Municipal Offices	Roda Dene	Davel
Municipal Offices	Breyten	Breyten
Kwazanele Library	Kwazanele	Breyten
Old Post Office	Nganga	Warburton
Municipal Office	Silindie	Lothair
Municipal Offices	KwaChibikhulu	Chrissiesmeer
Municipal Offices	Chrissiesmeer town	Chrissiesmeer
Sheepmoor Community hall	Sheepmoor	Sheepmoor

Comments on the processes to be followed in reviewing the IDP must be lodged in writing and be addressed to the Office of the Municipal Manager on or before 12:00 on the 07th of October 2011.

Mr. T.B.W. DLAMINI
MUNICIPAL MANAGER



MSUKALIGWA MUNICIPALITY

IDP REVIEW PROGRAM FOR 2012/2013

Notice is hereby given in terms of Section 34 of the Municipal Systems Act of 2000 that Msukaligwa Municipal Council is in the process of reviewing the **Integrated Development Plan for the 2012/2013 financial year**. All interested parties or stakeholders are hereby called on to participate in this process. The Consultative Program of the IDP will be as follows:

DATE	VENUE	WARD	RESPONSIBLE COUNCILLOR	TIME
26 September 2011 Monday	Breyten Civic Hall	Ward 13 Breyten Town	Cllr. Dhludhlu Z C	18:00
27 September 2011 Tuesday	Ella de Bruin Hall	Ward 7, Ward 8 & ptn. of Ward 16	Cllrs. Swart H F & Breytenbach Z	18:00
28 September 2011 Wednesday	New Holy Spirit Church	Ward 4	Cllr. Nkosi T S	18:00
29 September 2011 Thursday	Wesselton Community Hall	Ward 6	Cllr. Malaza T T	18:00
03 October 2011 Monday	Thuthukani community Hall	Ward 17	Cllr. Sibiya B I	18:00
04 October 2011 Tuesday	KwaZanele Community Hall	Ward 14 (KwaZanele)	Cllr. Msibi S J	18:00
05 October 2011 Wednesday	Agape Church building	Ward 2 (Emadamini)	Cllr. Msezane E C	18:00
06 October 2011 Thursday	Sheepmoor Community Hall	Ward 11	Cllr. Mnisi L P	18:00
07 October 2011 Friday	Cassim Park Hall	Ward 3 (Cassim Park area)	Cllr. Malinga M V	18:00
08 October 2011 Saturday	De Emigratie Primary School	Ward 11 (De Emigratie and KwaMahlafuna)	Cllr. Mnisi L P	09:00
08 October 2011 Saturday	New Ermelo Primary School	Ward 16	Cllr. Nkosi Z J	14:00
09 October 2011 Sunday	Umzimvelo Agricultural School	Ward 18	Cllr. Vilakazi S E	18:00
10 October 2011 Monday	Ithafa Comprehensive School	Ward 1	Cllr. Nkosi M P	18:00

Consultative Meetings Held in September to October 2011



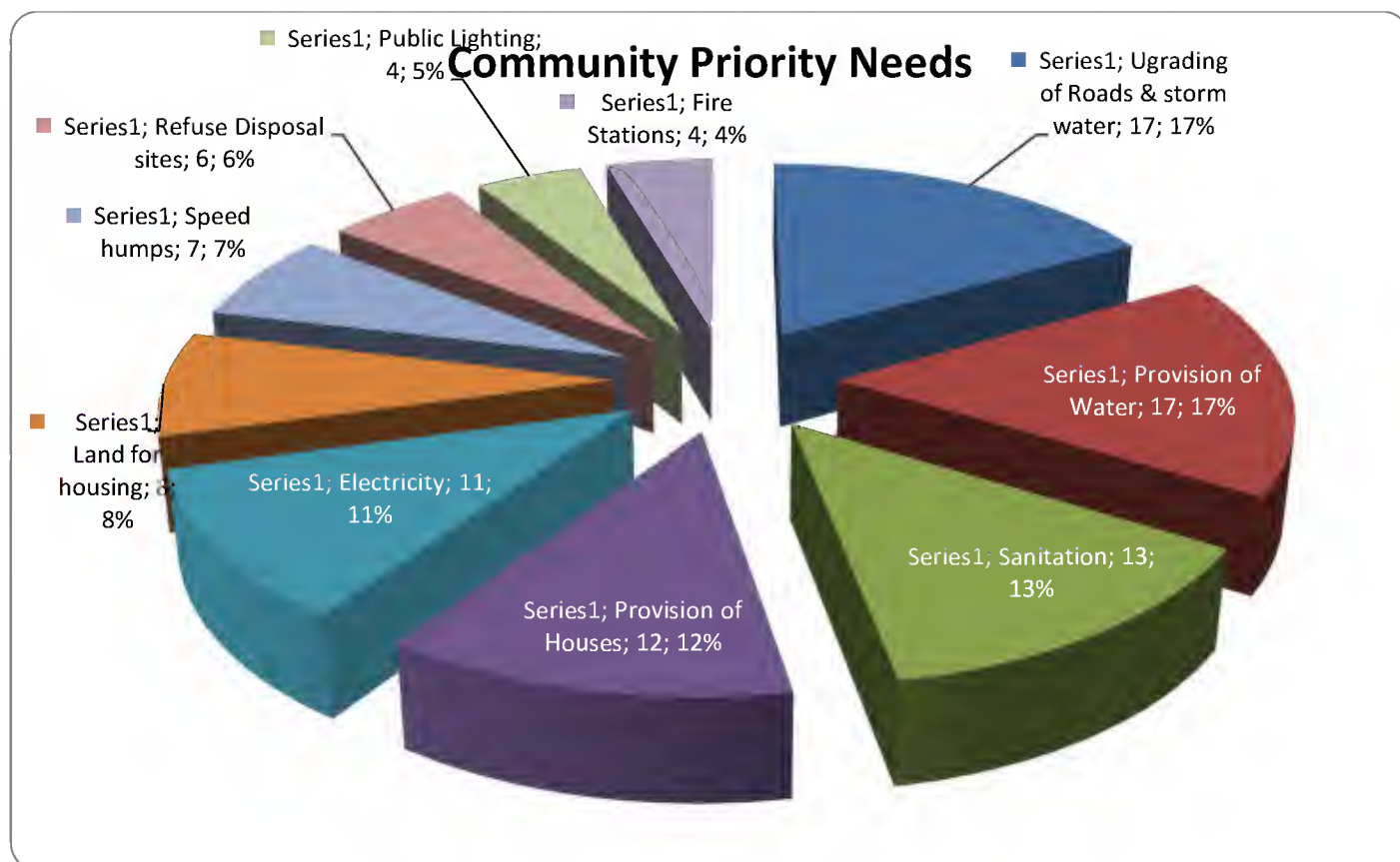
30. Summary of Community and Stakeholders Input

Priority needs from communities were received through Ward Development Plans and consultative meetings held at various wards. Below are average priorities which the municipality must attend to and also ensure that the priorities seek to achieve the objects of the PGDS, Millennium targets, Priorities as contained in the MTSF and the twelve government outcomes. The following are community priorities as gathered during consultations and through ward development plans:

- Poor/lack of roads and storm water drainage
- Provision of water at rural/farm areas and other informal settlements.
- Provision of sanitation services (VIP toilets) at farms areas.
- VIP toilets are getting full and no chemicals provided.
- Land for housing development.
- Provision of Electricity at farm areas – communities request assistance from the municipality to get electricity.
- Unemployment and job creation.
- Skills development and support for youth.
- Issues that are reported to the municipality and not attended on time or never. (e.g. water leakages, sewer spillages etc.)
- Shortage of toilet facilities and water for people moved to ward 9 – Khayelisha settlement.
- Lack of Clinic services in the farm areas and operating hours at existing clinics outside Ermelo.
- Lack of Scholar transport at some farm areas of the municipality.
- Safety of school children crossing National and provincial roads to access schools in particular **Warburton, New Ermelo and Breyten/KwaZanele.**
- Establishment of new sports facilities and maintenance of existing Sports facilities.

It should however be note that these are not the only needs and the rest of the needs that the municipality must also take into consideration when planning are listed on table 1 above.

Figure 2: Community Priority Needs



WARD 1 BUDGET CONSULTATION 12 APRIL 2012

Sipho Mabuza	Construction of roads Verification of indigents Status of road construction project in Ward 4 What facilities require fencing? Response time on water leakages	Technical Services Finance Technical Community Services Technical and all Departments	Not all roads can be done in one Financial Year Registration and deregistration done annually In terms of Service Charter 42 hours
Simphiwe Vilakazi	What plan does Msukaligwa have in terms of illegal water and electricity connections?	Technical and Finance	A private company has been appointed.
Mandla Mshololo	R23 million budgeted for roads not sufficient Paving is a viable option since its labour intensive in nature. The 5,9% proposed salary increment too low and employees will go on strike. Shortage of electricity meters	Technical Technical and LED Section SALGA Technical	Not all roads can be done in a single Financial Year. The proposal is already implemented by the Municipality Bargaining for Employees salaries done at SALGA level The process of procurement of electric meter underway
Novukuza	Residents should be informed of water and power interruptions Non-functioning street lights Monitoring of Municipal employees	Office of the Speaker Technical Municipal Manager	Hailing and newspapers advertisement in case of planned interruptions done. A new system to mark poles will be implemented. PMS system will be implemented.

WARD 2 BUDGET CONSULTATION 15 APRIL 2012

1) Themba Malaza	a) Fencing always reflected on budget.	a)Community Service b)Office of the Executive	Fencing for Cemeteries and other Council owned properties.
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	<i>b) Does the Mayor discuss IDP plan with Councillors? c) Shortage of meter boxes.</i>	Mayor and Speaker c) Technical and Finance	Mayor meets Councillors to discuss Ward issue. Matter receiving attention.
2) David Ntuli	<i>Lack of electricity, water and proper sanitation (squatter camp) Challenges of removal of refuse</i>	Community Services	A study to be commissioned Community Services Department will be engaged.
3) Nelly Manana	<i>Lack of proper sanitation (Buckets used)</i>	Technical and Community	Mayor will take the matter up.
4) Thabo Shongwe (Nkanini)	<i>Purchase of electricity direct from ESKOM. Budget presentation should be such that it covers all projects and programmes in the Ward in question. Toll gate generate income that could be used for delivery of services.</i>	Technical and Finance Executive Mayor SANRAL	Depends on the type of license other areas like Sheepmoor buy from ESKOM. Executive Mayor consults on. Msukaligwa whole budget Toll-gates are a National Government competency.
5) Nhlanhla Kekana	Welas and Dunusa <i>Electricity and water problematic and will the budget address the challenges?</i>	Technical and Community Services.	Matter noted Municipal Manager, Speaker and Executive Mayor arrange meeting to discuss the Dunusa issue.
6) Mbongiseni Nhleko	<i>Municipality should assist in creation of job opportunities. Poor roads, lack of electricity and poor sanitation.</i>	Msukaligwa Municipality and all relevant stakeholders (LED Forum)	Matters will be processed
8) Mr. Sibanyoni	<i>Municipal officials spend money buying food for meetings in his view that was unnecessary.</i>	Municipal Manager	Recommendation noted.
Way forward	<i>The Executive Mayor will convene numerous meeting to address the issues as raised by the various residents in the Ward</i>		

WARD 3

Ngwenyama	<i>Municipal officials are also contributing to non-payment. The Municipality must come up with a plan to investigate illegal connections of electricity Meter readings not done</i>	Municipal Manager Finance and Technical Service Finance Town Services	
Sipho Nkosi	<i>Ext 5 seem not registered as a settlement and also o3. On the maps (Speed Humps) Safety in public roads as done to Mdluli Street by Public Safety</i>	Technical Services	
Zenzi Hadebe	<i>Meter readings not done</i>	Finance	
	<i>The presentation was commended as well prepared and how the meeting was called.</i>	Municipal Manager	
Mdelwa Manana	<i>Meter reading not done</i>	Finance	
Mkhonza	<i>Is there a budget for fencing of cemeteries and identified area for new cemeteries.</i>	Community Services	
Shabangu	<i>Toilets and water in squatter camps</i>	Community Services	
WARD 9			
Norman Ngwenyama	<i>What informs the basic charge</i>	Finance and Technical	

	<i>amount charged on electricity?</i>		
Xoli Manana	<i>Job opportunities for Youth who in many instances lead households.</i>	Executive Mayor	
Phillip Ndimande	<i>Commended work done at Khayelisha however stated that there are still few challenges in as far as water, electricity and sanitation are concerned. Access road for taxi to Khayelisha</i>		
Nompumelelo Manana	<i>No development water and sanitation problematic in some squatter areas</i>		
Vusi Sibeko	<i>The proposed increase is high The amount for purchase of land too little and where will land be bought?</i>		

WARD 4

Bongani Nkosi	<i>Job-Creation-cleaning of graves</i>	Msukaligwa Municipality	Municipality does not have capacity to employ many people.(Cooperatives)
Gift Ndlangamandla	<i>Bursaries for Youth Cleaning campaigns Poor sanitation in Hostel High crime rate at Ndebele Street</i>	Office of the Executive Mayor(Transversal) Community Services Technical Services SAPS	
Sbongile	<i>Lack of services at Mndeni Flat</i>	Community Services	The Ward Councillor will take the matter up.
Maseko DF	<i>Report on previous projects should be made Speed humps Ageing infrastructure Power interruptions Bad roads and what criteria used to identify street Sewerage spillages General Service Delivery challenges Street lights</i>	Municipality	
Zale Madonsela	<i>Illegal dumping and plan to keep town clean Lack of detail on Financial Recovery plan Report back on projects implemented in the previous year. Plan to register indigents in Sheepmore</i>	Community Services Finance Finance(PMU) Finance	
Baphethile Maseko	<i>Concern over poor state of Municipal Finance Transform in Malaza Street faulty. 5,9% budgeted for employees salaries not enough.</i>	Executive Mayor Technical Services	
Keagan Nkosi	<i>Electricity problems(Transformers blasts)</i>	Technical	
Bonginkosi Sibeko	<i>Commended the Municipality for acknowledging that there is financial problem.</i>	Municipal Manager	

	<i>The budget should be specific in terms of allocations for projects. The budget is noted and another meeting to provide detail will reconvene.</i>		
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WARD 5

Thabile Malaza	<i>Sewerage leakage in Everest park</i>	Technical	Will be attended to as per IDP
Khaba	<i>Development in squatter settlement</i>	Community Services	
Mbekezeli Mabuza	<i>Plan for development of area squatter settlement towards Hendrina Road (Is there a plan going to be developed for permanent residence. Taps should be made available High masts near hostel</i>	Community Services	
Lerato Mashiane	<i>What kind of a loan does the municipality take and how it will affect the Municipality in future?</i>	Finance	
Nsizwa Thanjekwayo	<i>Commended the Municipality that there is some work done on sewerage leakage Move for approval of the budget</i>	Technical Services	

WARD 6

Nkosinathi Ndlovu	<i>Budget does not say anything for squatter camps</i>		
Mduduzi Madi	<i>No plan for squatter settlements</i>		
Bheki Mnguni	<i>Lack of proper roads and electricity in squatter camps</i>		
Gugu Mango	<i>No development for residents in informal settlement</i>		
Mandla Nkosi	<i>Registration or formalization of squatter area</i>		

WARDS 7 AND 8

Lindiwe Mkhonza	<i>Can the Municipality approve indigent application on an account which is administered by an estate agent? Is there a number where illegal connection and theft in general could be reported?</i>	Finance Public Safety(Call Centre)	There are guidelines in so far as that matter is concerned and is covered by Policy. 0178013400
Mfelani Lukhele	<i>The increase by 12% on tariffs too high given average on inflation.</i>		
Ray Mhlongo	<i>Commended the Municipality on well prepared presentation What informs 12% increase on tariffs in relation to inflation? Are there awareness campaigns to indigent residents of Sheppmore in terms of applications as indigents?</i>	Executive Mayor Finance and office of the Speaker	A programme has been developed and 11 000 indigents will be approved in 2012/13 Financial Year.
Siyabonga Ngubane	<i>Is there a plan by the Municipality to increase the revenue?</i>	Finance Finance and Technical	A Financial Recovery Plan has been approved.

	<i>How does the Municipality deal with illegal connections since those that pay their services seem to be suffering more?</i>		A private company has been appointed to deal with this challenge and those caught will pay heavy fines.
Mngomezulu	<i>The amount on the budget no enough to deliver service to the people.</i>	Executive Mayor	The proposal was noted for further deliberations.
College Mavimbela	<i>How much is collected from usage of facilities like stadiums?</i>	All Departments	These amount will be reflected on Operating budget
Sibusiso Makhanya	<i>Will amounts charged as assessment rate be decreased once Council has recovered financially? Is there a system to monitor irregularities in so far as indigent grants are concerned?</i>	Executive Mayor Finance	The Municipality must collect more revenue so that it is able to initiate projects.

WARD 10

Mabhoko Xaba	<i>What projects on the budget will be directed to Ward 10 Davel?</i>	Finance and Technical	
Mam Mtsweni	<i>Electricity interruptions 4-5 days Meter boxes not available in the Municipality Transformers burst</i>	Technical	
Bheki Zwane	<i>High taxi fares that affect mostly the unemployed in the Ward</i>	LED Unit of Msukaligwa	
Zweli Mahlangu	<i>The Ward Councilor should report on projects from last financial year (Water pump)</i>	Technical	
Thulani Nkosi	<i>Residents from farms should be transported to such meetings Payment of Overtime to employees should be monitored Time to convene these meetings should be considered.</i>	Office of the Executive Mayor Municipal Manager	
Zakhele Mngomezulu	<i>Creation of jobs for local people (ESKOM) Farming community should be part of such meetings Ward Community should be involved on planning processes</i>	LED Unit	
Mphemba	<i>Water meter problematic 07385013457</i>	Technical	
Kenneth Vilakazi	<i>Poor roads</i>	Technical	
Nsizwa Mbethe	<i>Old or outdated books at library</i>	Community Service and DCSR.	
Fakazi Phungwayo	<i>Electricity tariff too high</i>	Municipality	

WARDS 12 AND 15

	<i>Meetings should be held in weekends</i>		The matter will be attended to
	<i>Electricity interruptions/outages problematic in the Ward Road construction should be given priority</i>		Joint effort required and illegal connection to be discouraged. Municipality not in good financial position.

	<i>Limited budget for purchase of land</i>		
	<i>Presentation not clear on Youth Development Budget</i>		GSDM consulted to assist in that regard
	<i>Lack of Budget for Disaster Management</i>		Covered on operational budget and GSDM
	<i>Budget should deal with specific projects for Ward</i>		Noted
	<i>Programme for Youth and Women empowerment in a form of job creation</i>		

WARD 13 17 MAY 2012

Bonginkosi Mthethwa	<i>Deficit on Budget not reflected as an entry Development of Sport facilities Bursaries</i>	Finance Community Services	
Stanley Marsh	<i>How does Msukaligwa recover monies on provision of water to ALM? Improvement of water quality</i>	Technical and Finance	
Zakhele Maseko	<i>Building and allocation of RDP houses</i>	Housing Section	
Bhekizizwe Nkosi	<i>Meters not taken at Thabo Village Title deeds for Thabo Village</i>	Finance Community Services	There are attempts to resolve the matter with National Department of Human Settlements.
Sizwe Mashinini	<i>Allocation of RDP houses</i>	Housing	Competency of Human Settlement

WARD 14

Linda Mallang	<i>Has Gert Sibande assisted in building of roads in the Municipality?</i>	Technical	
Andile Mthethwa	<i>Drainage system when roads are constructed Maintenance of facilities</i>		
Jerry Thanjekwayo	<i>Why is the Municipality experiencing financial problems?</i>		
Musa Mathenjwa	<i>How does the budget affect ordinary residents? Especially those that are unemployed and rely on indigent subsidy...</i>	Finance	
Sipho Nhlapho	<i>Meter boxes not available in the Municipality and that leads to illegal connections</i>	Finance	Procurement process has been initiated
Mthokozisi Mahangu	<i>The budget is accepted</i>		
Jabulani Magagula	<i>R500 000 not enough for purchase of land</i>		
Xolani Ndlovu	<i>Poor road conditions Means to deal with illegal connections</i>		
Tau Nkosi	<i>What does the financial recovery plan entail?</i>		
Mandla Maluleka	<i>Explanation on Basic charge for electricity</i>		

WARD 16 21 APRIL 2012

	<i>Leakages of sewer and water pipes</i>		
	<i>Progress on the purchase of land in</i>		

	<i>Nyibe</i>		
	<i>Monitoring of the process of construction of RDP houses</i>		
	<i>Water reticulation at Nyibe whilst it is reported that its private owned land</i>		
	<i>Investigation of consumer accounts</i>		
	<i>RDP house badly constructed</i>		

WARD 19

	Budget was presented by the Executive Mayor and no comment in respect of the budget were made however they raised dissatisfaction with the Ward Councillor		
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Integrated Goals for the Msukaligwa local Municipality are:

- Development of institutional capacity and efficient financial management geared towards efficient delivery of services
-
- Facilitation of access to land and ensure sustainable land use management for the entire district
- . Maximisation of economic growth and development through developing local economic opportunities and facilitating community empowerment
- Promotion of social development of communities
- Fostering of community participation and ownership of municipal programmes through effective communication
- Strengthen the co-ordination of governance structures and facilitate sound intergovernmental relations

Care was taken during the IDP process that all actions and initiatives proposed by the municipality are in line with these Provincial Areas for Intervention.

MUNICIPAL TURNAROUND STRATEGY

The government has in 2009 introduced the Local Government Turnaround Strategy (LGTAS), which is aimed at counteracting those forces that are undermining our Local Government system. This has therefore prompted the government to act in a way that will restore the confidence of the citizens of the country in the local sphere of government by 2011 and beyond.

LGTAS is therefore aiming at achieving the following objectives identified as key drivers to rebuild and improve the basic requirements for a responsive, effective, efficient and accountable local government which are to:

- Ensure that municipalities meet the basic service needs of communities.
- Build clean, effective, efficient, responsive and accountable local government.
- Improve performance and professionalism in municipalities.
- Improve national and provincial policy, oversight and support.
- Strengthen partnerships between local government, communities and civil societies.

Therefore the Municipal Turnaround Strategy has identified areas of intervention that needs urgent intervention in order to address the objects of the LGTAS as indicated above. Gaps have been identified in accordance with the five year Local Government Strategic Agenda are being prioritised within the municipal IDP which includes the following:

- Basic Service Delivery
 - Upgrading of purification plants to address bulk water supply
 - Reducing water loses and improve water supply through replacement of aging infrastructure
 - Improving on sanitary services at rural areas and maintenance of aging infrastructure at urban areas
 - Roads and storm water management, maintenance and construction
 - The development of services and infrastructure master plans
 - Electricity supply at farm areas and newly established towns/townships
 - Establishment of parks, cemeteries and libraries
 - Provision of land and infrastructure for housing/human settlement
 - Establishment and permitting of land fill sites/refuse dumping sites
- Local Economic Development (LED)
 - LED investment and promotion within the municipality
- Financial Viability and Management
 - Development of revenue and enhancement programmes
- Institution Transformation and Organizational Development
 - Improvement of organizational structure
 - Improvement on organizational performance
- Public Participation and Good Governance
 - Improve functionality of ward committees
 - Develop broader public participation policies and plans

The municipal turnaround strategy has therefore being provided in details in a separate document with priorities explained in details. It should however be noted that though most of the MTAS targets were December 2010, not all targets were met due to financial reasons and such priorities will still be considered in the 2012/2013 financial year.

INTRODUCTION

The municipality has prepared its 2011/2012 half year performance process during January 2012. This process resulted in the municipality realising that it has financial problems.

The Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA); Chapter 13, which deals with "Resolution of Financial Problems (s 135-162), Part 1 (Identification of Financial Problems (s 135)"; provides for the following:

Section 135 – Primary responsibility for resolution of financial problems

The primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality itself;

A municipality must meet its financial commitments.

As required by legislation the municipality performed a situational analysis to determine the extent of the financial problem and to come up with strategies to mitigate and address the challenges by developing a Financial Recovery Plan. A detailed report is available at municipal offices for perusal.

1.2. Purpose of this Financial Recovery Plan

Section 141 of the Municipal Finance Management Act provides for the preparation of a financial recovery plan and the implementation thereof which is aimed at ensuring that the Municipality is able to function optimally, effectively and efficiently whilst improving its financial position and service delivery capability.

The legislated contents of a Financial Recovery Plan is set out in Section 142 of the Municipal Finance Management Act and is summarised below: -

142. (1) A financial recovery plan must be aimed at securing the Municipality's ability to meet its obligations to provide basic services or its financial commitments, and such a plan, whether for a mandatory or discretionary intervention—

(a) must—

- (i) identify the financial problems of the Municipality;
- (ii) be designed to place the Municipality in a sound and sustainable financial condition as soon as possible;
- (iii) state the principal strategic objectives of the plan, and ways and means for achieving those objectives;
- (iv) set out a specific strategy for addressing the Municipality's financial problems, including a strategy for reducing unnecessary expenditure and increasing the collection of revenue, as may be necessary;
- (v) identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from;
- (vi) describe the anticipated time frame for financial recovery, and milestones to be achieved; and
- (vii) identify what actions are necessary for the implementation of the plan, distinguishing between actions to be taken by the Municipality and actions to be taken by other parties; and

(b) may—

- (i) provide for the liquidation of specific assets, excluding those needed for the provision of the minimum level of basic municipal services;
- (ii) provide for debt restructuring or debt relief in accordance with Part 3 of this Chapter;
- (iii) provide for special measures to prevent unauthorised, irregular and fruitless and wasteful expenditures and other losses; and
- (iv) identify any actual and potential revenue sources.

1.3. Summary of Strategies Developed

▪ **Strategy One: Restructure the Budget Adjustment Budget for 2011/12**

- **Firstly**, the budget must be restructured as it may only be funded from realistically anticipated revenue to be collected in terms of section 18(1) (a) of the MFMA. The restructured and future budgets need to provide for a significant surplus in order to address the cash flow shortfalls. The 2011/12 budget has major shortcomings, must be reviewed and revised accordingly.
- **Secondly**, the personnel costs need to be adjusted to reflect actual staff numbers employed. In addition, other associated costs that are adding to the remuneration component, such as excessive overtime, standby

allowances, travel allowances, etc, must reduce. The freezing of posts on non-essential service delivery and administrative support areas, including employment of temporary staff, must also be implemented.

- **Thirdly**, the budget has to address the non-payment of services by debtors. The provision for non-payment by debtors is too low and needs to be increased in accordance with current payment levels. If this is not corrected, the budget will not be cash-backed and the municipality will continue to face serious cash-flow problems. The Plan has quantified the understatement of bad debt provisions. In the next two financial years, it is expected that the budget of MLM will be adjusted to accommodate for this non payment and therefore a provision of 18 percent (net debtors to revenue) is required.
The Chief Financial Officer and the Revenue Manager must introduce targeted credit control measures designed to increase revenue collection. These measures must be vigorously pursued and maintained.
- **Fourthly**, the Credit Control Policy of Council must be reviewed and the implementation thereof must be assigned to responsible officials. Procedures for implementation are required and officials must ensure compliance with these procedures. This also requires a customer service desk to interact with consumer enquiries, render support and engage consumers to resolve matters expeditiously. Improved communication with consumers to ensure effective application and implementation of the credit control policy is needed. This will allow MLM an opportunity to effectively communicate the consequences for non-payment. Councillors will be consulted in the formulation of the policy and its communication. The implementation, monitoring and reporting on the effectiveness of the policy will reside with the officials.
- **Fifthly**, MLM must provide for the replenishment of unused conditional grants that was utilised to fund operating expenses, over a period of time.
- **Finally**, the ring-fencing of the budget to reflect actual cost of services rendered per function must be undertaken. This will allow for cost-cutting measures to be implemented with a report on cost-cutting measures prepared by the Chief Financial Officer and Municipal Manager for submission to Council for notification, and implementation with immediate effect. These measures must include costs associated with entertainment, cell phone allowances, subsistence and travel, overtime, etc.

1.4. **Annual Budget for 2011/12 MTREF**

The MTREF budget for the 2011/12 financial year must be informed by the outcome of the adjustments budget for the 2010/11 financial year, among others. When compiling the budget for the 2011/12 MTREF a Strategic Alignment Workshop must assist to determine objectives, review all current Council approved budget related policies which must be consulted with the community. A review of all services to ensure they are sufficiently financed for sustainable service delivery must also be concluded. Given the nature of agency arrangements, a meeting with the District Municipality and Provincial Government to ensure that all agency related services are rendered in terms of a service level agreement and is consistent with this financial recovery plan.

1.5. **Strategy Two: Revise Tariff Policies and Tariff Increases**

The tariff policies and the tariff increases proposed in the 2011/12 budget and outer years must be reviewed for applicability. Some of the current tariff structure may not be adequate to address the financial challenges facing MLM or be adequate to meet its expenditure requirements.

In this regard, an increase in revenue is as critical as cost reduction to improve available cash for service delivery. Noting that there are some legal issues to overcome in the current year, the preparation for the revised tariffs must continue for it to be implemented in the 2011/12 financial year.

An important and most critical source of revenue for MLM, given the assignment of powers and functions, is the income derived from Property Rates. It has been noted that there are many challenges being experienced in the implementation of the current valuation roll.

In order to conclusively address the objections, a Task Team comprising of Provincial Government and Municipal officials led by the Municipal Manager must be established and commence work to review all objections. It is expected that the Provincial Government will oversee this process to ensure compliance with the Property Rates Act and ensure amicable resolution on a timely basis.

The next largest revenue source is derived from water services. These tariffs must be urgently reviewed to reflect the cost of providing the service. MLM will also be required to undertake a tariff comparison/ benchmarking exercise with similar municipalities.

In keeping with the overall review of its tariffs, MLM must also consider tariffs applicable for all services rendered, including appropriately structuring its agency charges and possible revenues from electricity sales.

1.6. **Strategy Three: Revenue Enhancement**

Critical to implementing a financial recovery plan is the development of a robust Revenue Enhancement Strategy. The Municipality must develop a Revenue Enhancement Strategy and this strategy must be consistency with the Financial Recovery Plan in order to achieve the broader objective of this financial recovery.

Develop the Revenue Enhancement Strategy and implementation of the Revenue Enhancement Strategy, as a priority.

- Furthermore, the revenue enhancement process needs to be divided into short, medium and long-term activities as set out in this Financial Recovery Plan.
- Short-Term activities (to be completed within three to six months) will include focussing on the recovery of outstanding debtors, improved billing processes, implement credit control and debt collection policy, review of all service delivery agreements/contracts relating to agency services, review services not rendered or partly rendered by the municipality exploring new/expanded revenue streams and finalising outstanding issues on the current valuation roll.
- Medium to Long Term (to be completed within seven to twelve months) will focus on cost recovery from unmetered areas, communication with consumers and suppliers, debtor data cleansing, implementing basic service charges, establishing internal controls and proper costing of services.

1.7. **Strategy Four: Financial Administration**

There is a need to strengthen the overall financial administration and internal controls within the Municipality. The structure and assignment of duties in the Budget and Treasury Office need urgent attention. In this regard, key disciplines such as preparing the budget, reporting on financial management, revenue management, expenditure management, asset and liability management, supply chain management, among others, must be correctly assigned and addressed.

To ensure effective and efficient management of the finances of the municipality a comprehensive financial management delegation framework, including the sub delegations under the MFMA must be implemented.

All procurement must be undertaken through a centralised Supply Chain Management Unit operating under the direct supervision of the CFO. Proper Supply Chain Management (SCM) processes and internal controls need to be enforced.

Another key area to ensure improvement in financial management relates to the procedures and processes followed. The roles, responsibilities and capacity of the Internal Audit Unit in the Municipality must be reviewed and updated.

There are significant internal control failures and therefore a comprehensive analysis of all the document process flows, segregation of duties, levels of responsibilities and delegation of duties must be addressed.

The Audit Committee representation and the items to be discussed by the Committee and the implementation of recommendations will be critical to achieve success of the Plan.

1.8. **Strategy Five: Cash Management Strategy**

A cash management strategy is required to ensure that cash-flow planning and investment decisions are undertaken and that unspent grant funds are properly safeguarded and utilised only for the intended purposes.

It has been noted that the municipality is operating an overdraft, as per the information derived from the Annual Financial Statements for 2010/11 financial year. The trend shows that this overdraft is increasing over the previous year. From a legislative point of view, the recurrent overdraft situation is not permitted.

Associated with this strategy is a need to engage with the relevant financial institution and the municipal creditors to confirm amounts owed and to make payment arrangements, where required. The outcome of these engagements will have a significant impact on the implementation of the cash management strategy. A measure of success will be achieving a positive cash coverage ratio and progress towards a ratio that is equal to or exceeds 3 months over the medium term.

1.9. **Strategy Six: Human Resource Management**

The Municipality's approach to human resource management requires attention and review. The lessons learned from the previous provincial interventions relating to Human Resource Management must be taken into consideration with a view to addressing shortcomings. The review of the organisational structure of the municipality must prioritise the areas highlighted in this recovery plan. The municipality will have to seriously address the top heavy management structure as it aligns the organisation to priority functions that it was assigned. The municipality must review all positions to ensure that capacity and skills of officials are aligned to appropriate posts. Job descriptions should be reviewed and refined, where necessary.

There is a need to sensitise all employees to the seriousness of the financial problems facing the municipality, including representative of organised labour, and communicate the implementation of the Financial Recovery Plan.

The Financial Recovery Plan will form part of the individual Performance Agreements signed by the individual Managers. The municipality should initiate a process of ensuring that performance agreement for officials below Section 57 managers are in place before the commencement of the 2012/13 financial year. In addition, the municipality should initiate a process of performance review in the current financial year.

A process to verify employees on the payroll must be included in this Plan for completeness purposes. This verification must be completed within 60 days. The municipality must conclude all outstanding human resource management matters before the end of the current financial year.

1.10. **Implementation of the Financial Recovery Plan**

This Plan places significant implementation responsibility on the Municipal Manager and Chief Financial Officer. The implementation responsibility should be operationalised whereby the key focus areas and activities outlined in the financial recovery plan should be cascaded to all relevant municipal officials and included in their performance agreement.

In respect of financial resources, the key will be the restructuring of MLM's budget and successful engagements with the District Municipality and Provincial Government to conclude agency agreements.

Finally, it must be emphasised that the strategies set out in this Plan relate to activities that must be institutionalised and performed by municipal officials as their regular tasks and who are appointed to such positions.

1.11. **Risks associated with the Plan**

This Plan has identified certain risks that must be mitigated for successful implementation. These are summarised below: -

- **Non-implementation of previous plans** - There are numerous plans and strategies developed over the years which have not been implemented. A key risk is that implementation of strategies may not take place. In order to mitigate this risk, specific timeframes and responsibilities have been defined for each of the strategies developed in the financial recovery plan.
- **Change management** - From a change management perspective, urgent action is required to address some of the bad practices that may have occurred for many years. There is a need to strictly enforce new procedures without exception. The enforcement of staff discipline will be extremely important and this should drive the change management process within the Municipality. The Municipal Manager and Chief Financial Officer with the assistance of Human Resources division must communicate the content of this plan to all employees to ensure full understanding for effective implementation.
- **Labour relations** - This Plan has an impact on labour and therefore discussions will need to be held with organised labour and the Bargaining Council to address any labour relations matters arising from the implementation of this plan.
- **Community and Stakeholders** - There is a risk that there may be further community and stakeholder challenges to aspects of the Plan, such as budget cuts and the need to increase tariffs. This risk can be managed by effective, improved communication by councillors, officials of the municipality and the community. The municipality must communicate effectively with the community on all aspects of the plan and provide regular feedback on progress, including tabling of the plan at the Provincial Legislature.

There should be a regular review of the risks to ensure timely mitigation strategies are instituted by the Political leadership, Municipal Manager and Chief Financial Officer.

1.12. **Monitoring and Evaluation**

It should be noted that the Financial Recovery Plan also includes medium to long-term activities. The monitoring and reporting on progress in implementing the Financial Recovery Plan will be undertaken by the Office of the Municipal Manager. Reports on the implementation of the Plan must be submitted to the Executive Mayor and Municipal Manager on a weekly basis. The Executive Mayor and Municipal Manager must take corrective action when activities in the Financial Recovery Plan are not achieved. Progress reports on the implementation of the Recovery Plan must be signed by the Executive Mayor and Municipal Manager before submission by the Office of the Municipal Manager to Council.

1.13. **Processes to Prepare the Financial Recovery Plan**

The process to prepare this Financial Recovery Plan is illustrated diagrammatically below.

1.14. **Alignment of Budget with IDP**

This section provides a good understanding of what is contained in the IDP and how that guides the allocations in the budget. The budget documentation provides a good high-level overview of the IDP and reference is being made to the detailed IDP documentation.

The following information obtained from the IDP is included in the budget document for ease of reference.

2. Budget Related Policies: Overview and Amendments

This section should provide a broad overview of the budget policy framework and highlight the amended policies to be approved by council resolution. No amendments are proposed to the following existing policies approved by Council



2012/13 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

3. Budget related policies overview

Developed policies

1. Budget policy
2. Inventory Policy

Reviewed policies

1. Asset Management Policy
2. Investment and Bank Management Policy
3. Supply Chain Management Policy
4. Credit control and debt collection policy
5. Tariff Policy
6. Indigent Policy
7. Indigent and Pauper Burial Policy
8. Property Rates Policy

3.1. **FIXED ASSET POLICY AMENDMENTS**

The entire policy has been reviewed with the development of an immovable asset management policy

3.2. **INVESTMENT CASH MANAGEMENT POLICY**

The entire policy has been reviewed

3.3. **MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY**

3.3.1. **Definitions**

Inclusion of the below definitions

- (a) **“Act”** means the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000);
- (b) **All applicable taxes** includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies;

- (c) **“B-BBEE”** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;
- (d) **“B-BBEE status level of contributor”** means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act;
- (e) **“Broad-Based Black Economic Empowerment Act”** MEANS THE Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- (f) **“comparative price”** means the price after the factors of a non-firm price and all non-conditional discounts that can be utilized have been taken into consideration;
- (g) **“consortium or joint venture”** means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract;
- (h) **“contract”** means the agreement that results from the acceptance of a tender by an organ of state;
- (i) **“designated sector”** means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;
- (j) **“firm price”** means the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;
- (k) **“functionality”** means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tender;
- (l) **“imported content”** means that portion of the tender price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry;
- (m) **“local content”** means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place;
- (n) **“non-firm prices”** means all prices other than “firm” prices;
- (o) **“person”** includes a juristic person;
- (p) **“stipulated minimum threshold”** means that portion of local production and content as determined by the Department of Trade and Industry;
- (q) **“rand value”** means the total estimated value of a contract in South African currency, calculated at the time of tender invitations, and includes all applicable taxes and excise duties;
- (r) **“sub-contract”** means the primary contractor’s assigning, leasing, making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract;

- (s) **“tender”** means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods, through price quotations, advertised competitive tendering processes or proposals;
- (t) **“total revenue”**
Bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007;
- (u) **“trust”** means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person; and
- (v) **“trustee”** means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.
- (w) **“CIDB”** means the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- (x) **“Service provider”** means an accredited service provider by the Council, of goods and services required from time to time by the Council.
- (y) **“Sole supplier”** means sole/single supplier as referred to in paragraph 36 of this policy;
- (z) **“Supply Chain Management”** means systems approach to manage the entire flow of goods and services that will create and optimize value for customer in the form of products and services which specifically at satisfying customer demands
- (aa) **“Supply Chain Management Code of Conduct”** means the National Treasury’s Code of Conduct for Supply Chain Management Practitioners and other Role Players, as amended by the Council, which is part of the policy
- (ab) **“Systems Act”** means the Local Government: Municipal Systems Act No. 32 of 2000, as amended.

8.4. The power to make a final award –

- (a) above R200 000 (VAT included) may not be sub delegated by the accounting officer;
- (b) above R 100 000 (VAT included), but not exceeding R 200 000 (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a quotation bid adjudication committee of which the chief financial officer or a senior manager directly accountable to CFO, is a member; or
- (c) not exceeding R 100 000 (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a quotation bid adjudication committee.
- (d) The Acquisition Committees, which solely are composed of employees, shall make decisions in accordance with their Terms of Reference. No advisor or consultant will have decision-making powers to make final awards on behalf of the council.

8.5. An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five(5) days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–

- (a) the amount of the award;
- (b) the name of the person to whom the award was made; and
- (c) the reason why the award was made to that person.
- (d) the reason for deviations in the implementation of this policy

8.6. A written report referred to in subparagraph (3) must be submitted –

- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

9. Training of supply chain management officials

The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training, **South African Qualification Act, Skills Development Act and best practices.**

10. Sub delegations

(1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

11. The power to make a final award –

- (a) above R200 000 (VAT included) may not be sub delegated by the accounting officer;
- (b) above R 100 000 (VAT included), but not exceeding R 200 000 (VAT included), may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a **quotation** bid adjudication committee of which the chief financial officer or a senior manager **directly accountable to CFO**, is a member; or
- (c) not exceeding R 100 000 (VAT included) may be sub delegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a **quotation** bid adjudication committee.
- d) The Acquisition Committees, which solely are composed of employees, shall make decisions in accordance with their Terms of Reference. No advisor or consultant will have decision-making powers to make final awards on behalf of the council.**

37. An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five(5) days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–

- (a) the amount of the award;
- (b) the name of the person to whom the award was made; and
- (c) the reason why the award was made to that person.
- (d) the reason for deviations in the implementation of this policy**

38. Range of procurement processes

- (1) Goods and services may only be procured by way of –
 - (a) petty cash purchases, up to a transaction value of **R1000** (VAT included);
 - (b) at least two written quotations for the procurement of a transaction value from **R 1000** up to R5 000 for Msukaligwa Municipality main offices and R1000 for Water Services Regions(VAT included);

39. Petty cash purchases

1. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are that minor items purchased for up to R500.00 (VAT included) where it is impractical, impossible or not cost effective to follow the official procurement process as follows –

- (a) The chief financial officer will authorize officials from his/her department to keep petty cash register and to grant refunds for cash purpose or allow cash advances.
- (b) Cash advances can only be granted for out-of-pocket expenses for delegated representatives of the municipality of upon written quotation but in all instances should a petty cash voucher be approved by the relevant departmental head.
- (c) Officially delegated persons will agree to the deduction from his remuneration any cash advances of which no proof of expenditure is presented on return from attended event.

- (d) petty cash shall be issued by the Budget and Treasury department as and when required by departments in terms of a procedure manual
- (e) petty cash requests must be properly authorized and have the correct line item description. All requests to be accompanied by relevant/appropriate supporting documents e.g. cash sale slips, receipts.
- (f) The practise of breaking up purchases in order to circumvent the formal procurement process is not permissible

INSERT BELOW PAR.22

40. SUBMISSION OF BIDS

1. Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
2. Each bid must be in writing using non-erasable ink and must be submitted on the official form of bid/offer issued with the bid documents. Only one (1) tender offer from a bidding entity will be accepted.
3. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (if applicable), and the closing date indicated on the envelope. Only sealed envelopes will be accepted. The municipality will accept tenders where envelopes have been inadvertently marked with the name of the bidder.
4. The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and the time specified in the bid notice.
5. Postal bids will not be accepted for consideration, nor shall proof of posting of delivery be accepted as proof that bids were delivered if received after the closing date.
6. No bids forwarded by telegram, facsimile or similar apparatus shall be considered unless stated otherwise in the bid document.
7. Electronic bids will not be accepted.
8. The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of change thereof has duly been given in writing, it shall be the address stated in the bid.
9. No person may amend or temper with any bids or quotation after their submission.

41. SAMPLES

1. Where samples are called for in the bid documents, samples (marked with the bid and the item number as well as the bidder's name and address) shall be delivered separately (to the bid) to addressee mentioned in the bid documents by no later than the closing time of the bid.
2. Bids may not be included in the parcels containing samples.
3. If samples are not submitted as required in the bid documents, then the bid concerned may be declared invalid.
4. Samples shall be supplied by a bidder at his/her own expenses and risk. The municipality shall be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
5. If a bid accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respect to that contract sample.

42. EVALUATION OF TENDERS

The 80/20 preference point system for acquisition of services, works or goods up to a Rand value of R1 million

- (1) (a) The following formula must be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value equal to, or above R30 000 and up to a Rand value of R1 000 000 (all applicable taxes included):

$$P_s = 80 \left\{ \frac{1 - P_t - P_{\min}}{P_{\min}} \right\}$$

Where

- P_s = Points scored for comparative price of tender or offer under consideration;
- P_t = Comparative price of tender or offer under consideration; and
- P_{\min} = Comparative price of lowest acceptable tender or offer.

- (b) Organs of state may apply the formula in paragraph (a) for price quotations with a value less than R30 000, if and when appropriate:
- (2) Subject to a sub-regulation (3), points must be awarded to a tender for attaining the B—BBEE status level of contributor in accordance with the table below.

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- (3) A maximum of 20 points may be allocated in accordance with sub-regulation (2).
- (4) The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-regulation (2) must be added to the points scored for price as calculated in accordance with sub-regulation (1).
- (5) Subject to regulation 7, the contract must be awarded to the tender who scores the highest total number of points.

The 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million

6. (1) The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

$$PS=90 \left\{ 1 - \frac{Pt - P_{min}}{P_{min}} \right\}$$

Where

- Ps = Points scored for comparative price of tender or offer under consideration;
- Pt = Comparative price of tender or offer under consideration; and
- Pmin = Comparative price of lowest acceptable tender or offer.

- (2) Subject to sub-regulation (3), points must be awarded to a tenderer for attaining their B-BBEE status level of contributor in accordance with the table below:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

- (3) A maximum of 10 points may be allocated in accordance with sub-regulation (2).

- (4) The points scored by a tenderer in respect of the level of B-BBEE contribution contemplated in sub-regulation (2) must be added to the points scored for price as calculated in accordance with sub-regulation (1).
- (5) Subject to regulation 7, the contract must be awarded to the tenderer who scores the highest total number of points.

43. TWO ENVELOPE SYSTEM

A two envelope system differs from a two- stage (prequalification) bidding process in that a technical proposal and a financial offer are submitted in separate envelopes at the same time. The financial offer will only be opened once the technical proposals have been evaluated.

44. TENDER AWARDING

1. Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered.
2. When calculating comparative prices, take into account any discounts which have been offered unconditionally. A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.
3. Points scored must be rounded off to the nearest 2 decimal places.
 - a. In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for B-BBEE.
 - b) However, when functionality is part of the evaluation process and two or more tenders have scored equal points including equal preference points for B-BBEE, the successful tender must be the one scoring the highest score for functionality.
 - (c) Should two or more tenders be equal in all respects, the award shall be decided by the drawing of lots.

INSERT BELOW PAR.25.

45. Cancellation and re-invitation of tenders

- a) In the event that, in the application of the 80/20 preference point system as stipulated in the tender documents, all tenders received exceed the estimated Rand value of R1 000 000, the tender invitation must be cancelled.
- b) If one or more of the acceptable tenders received are within the prescribed threshold of R1 000 000, all tenders received must be evaluated on the 80/20 preference point system.
- c) In the event that, in the application of the 90/10 preference point system as stipulated in the tender documents, all tenders received are equal to, or below R1 000 000, the tender must be cancelled.
- d) If one or more of the acceptable tenders received are above the prescribed threshold of R1 000 000, all tenders received must be evaluated on the 90/10 preference point system.
- e) An organ of state which has cancelled a tender invitation as contemplated in sub-regulations (1)(a) and (2)(a) must re-invite tenders and must, in the tender documents, stipulate the correct preference point system to be applied.
 - i. An organ of state may, prior to the award of a tender, cancel a tender if-
 - ii. due to changed circumstances, there is no longer a need for the services, works or goods requested; or
 - iii. funds are no longer available to cover the total envisaged expenditure; or
 - iv. no acceptable tenders are received.
- f) The decision to cancel a tender in terms of sub-regulation (4) must be published in the Government Tender Bulletin or the media in which the original tender invitation was advertised.

46. EXTENSION OF VALIDITY PERIODS

1. The period for which bids are to remain valid and binding must be indicated in the tender document.
2. The validity period is calculated from the bid closure date and the bids shall remain in force and binding until the end of final day of that period.
3. The responsible official for the bid must take all possible steps to ensure that the bids are evaluated and adjudicated within the validity period.
4. This period of validity may be extended, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. The period of extension may not exceed a period of sixty(60) days.

5. The responsible official must ensure that all bidders are requested to extend the validity of their bids where necessary in order to ensure that the bids remain valid throughout the evaluation period or until the award is finalised.
6. Any such extension should be agreed to by the bidder in writing before expiry date of validity period
7. If bidders are requested to extend the validity period of their bids as a result of an appeal being lodged it must be made clear to bidders that this is the reason for the request.

47. COMMITTEE SYSTEM FOR COMPETITIVE BIDS

Inclusion of the following committees.

- (a) Quotation committee
- (b) Disposal committee

48. QUOTATION COMMITTEE

The quotation committee must evaluate bids of above R30 000.00 but less than R200 000.00
Disposal management

49. CREDIT CONTROL AND DEBT COLLECTION POLICY

Remove tariffs in policy to tariff schedule.

Include in policy

INTEREST ON ARREARS AND OTHER PENALTY CHARGES

1. Interest shall be charged on all arrear accounts at the prevailing overdraft rate offered by the municipality's bankers plus 2 (two) percentage points.
2. If the municipality uses more than one banking institution it shall for purposes of determining the interest on arrear accounts apply the overdraft rate offered by the institution with which its primary bank account is placed.
3. Interest shall be calculated on a monthly basis at an interest rate contemplated in (1). For purposes of determining arrear amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.
4. In considering each annual budget the council shall review the adequacy of its interest charges, and shall determine the following for the financial year concerned:
 - charges for disconnection or restriction of services (paragraph 3)
 - charges for reconnection or reinstatement of services (paragraph 4)
 - charges for notices of default (paragraph 3)
 - penalty charges for illegal reconnections (paragraph 6)
 - penalty charges for dishonoured cheques (paragraph 15).

50. INDIGENT POLICY

No changes to policy

51. PETTY CASH POLICY

Change name to Petty Cash Management Policy

Par.7. The petty cash limit per expenditure voucher shall be set at R2 000.00 PM, VAT inclusive, except if the Municipal Manager or Chief Financial Officer authorize the petty cash voucher for a higher amount

Par.7. Petty cash purchases are limited to a transaction value as determined by the Municipal Manager or Chief Financial Officer from time to time in terms of the Supply Chain Management Policy.

Par.13. The A cheque must be made out to the petty, Full time Political Office Bearers Secretary Senior Managers' Secretary, cash officer for the replenishment of the petty cash float and such cheque must be encashed by this officer who must record the amount received in the petty cash register

Par.13. A cheque must be made out to the petty cash officer for the replenishment of the petty cash float and such cheque must be encashed by this officer who must record the amount received in the petty cash register.

52. PROPERTY RATES POLICY

Entire policy has been reviewed

53. Fiscal Overview and Source of Funding (Tariffs)

INVESTMENTS

AS ON 28 MARCH 2012

INSTITUTION	AMOUNT
STANDARD BANK - CALL	4 000 000.00
STANDARD BANK - MARKET LINK	26 000 000.00
TOTAL INVESTMENTS	30 000 000.00

54. Revenue Trends

Revenue from own source represent 45.7% of total revenue in 2012/13 reducing slightly to 47, 0% in 2010/11. This indicates that the municipality relies more on its own sources for revenue than on government grants.

55. MUNICIPAL TARIFFS

55.1. Electricity

55.1.1. The increase on electricity tariffs is 8.7%

NERSA has increased bulk purchases tariffs with 13.5% whilst National Treasury has approved a municipal increase of 11.3%, which means there is a short fall of 2.2% which should be regarded as loss for the municipality. As per financial recovery plan the municipality is in serious financial crisis of which is unable to meet its commitments including that of Eskom. The municipality is required to provide services in a sustainable manner, thus the increase of 16%. Repairs and maintenance is a serious contributor to the increase due to the aged electricity network. Also we must take into account that 50kwh for free basic electricity for indigent must be taken into account since the amount of equitable share provided is not enough. An application has to be made to Treasury for the above the board increase.

In calculating the weighted average increase the following assumptions were considered:

- bulk purchases have been increased by 13.5% by NERSA to municipalities
- CPI of 5.4%
- Salary & wage increase of 5%
- Repairs and maintenance ,capital cost and other cost have been increased by CPI

NB: The revised average municipal tariff benchmark increase for 2012/2013 is 20.83% according to NERSA

Free basic electricity for indigent of 50kwh have been budgeted for

30.1.2. Water

The increase on Water tariffs is 12%

In calculating the weighted average increase the following assumptions were considered:

- bulk purchases have been increased by 6.6% by DWA to municipalities
- CPI of 5.9%
- Salary & wage increase of 5%
- Repairs and maintenance ,capital cost and other cost have been increased by CPI

6kl free water will be given to only indigent households. This will be financed from the Equitable Share.

30.1.3. Sewerage Service

The proposed tariff increase is an average of 12%. This is done in order to obtain a uniform water tariff.

30.1.4. Emergency Services

The emergency service tariffs have increases by 12 % (CPI).

30.1.5. **Property Rates**

Property rates tariffs have increase by 8 %,

30.1.6. **Refuse Removal**

Property rates tariffs have increase by 12 %,

31. **Measurable Performance Objectives and SDBIP's**

It should be noted that the **Service Delivery and Budget Implementation Plan** (SDBIP) will be submitted to the Executive Mayor 14 days after the approval of the budget in accordance with section 69(3)(a) of the MFMA. The approval of the SDBIP by the Executive Mayor will be done as per the provisions of section 53(1)(c)(ii) of the MFMA, that is 28 days after the approval of the budget.

The SDBIP includes a summary of annual measurable performance objectives for votes (directorates). Annual performance objectives are converted into quarterly targets for the Service Delivery and Budget Implementation Plan (SDBIP) and will be audited in terms of the annual performance report required by the Systems Act (refer also to chapters 2 and 5 of the annual report as per MFMA circular 11).

Office of the Municipal Manager

Budget and Treasury (Finance)

Community Services

Technical Services

Corporate Services

Public Safety

32. **Disclosure on Implementation of MFMA**

This section provides disclosure regarding progress in implementing various related legislation including the MFMA and how this affects the budget and budget process.

33. **MFMA Implementation and Monitoring Checklist**

The municipality is generally complying for the majority of the implementation priorities as per the National Treasury implementation and monitoring checklist. This checklist is updated quarterly and submitted to National Treasury.

Below is a summary of progress against the plan.

No.	Implementation priority as per NT template	Progress
1	Preparing an implementation plan	100%
2	Allocating appropriate responsibilities under the MFMA to Accounting Officer	100%
3	Establishing a top (senior) management team	85%
4	Implementing appropriate controls over municipal bank accounts and cash management	100%
5	Meeting of financial commitments	30%
6	Reporting revenue and expenditure	85%
7	Supply chain management	75%
8	Implementing reforms in relation to municipal entities and long-term contracts	100%
9	Completing financial statements and advising National Treasury	100%
10	Completing and tabling annual report	100%
11	Complying with provisions for tender committees, boards of municipal entities and in relation to forbidden activities	100%
12	Complying with provisions for internal audit and audit committees	50%
13	Complying with provisions for budgets	100%
14	Information to be placed on website	100%

32. **MFMA returns**

All MFMA and DORA returns are submitted by the municipality as required monthly, quarterly and annually.

Name of return	Submitted to
MONTHLY	
Financial Management Grant	NT
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actuals (OSB)	NT

Section 71 Budget Statements	PT
Supply Chain Management	NT/PT
MIG returns	COGTA
Equitable Share	COGTA
QUARTERLY	
MFMA Implementation and monitoring checklist	NT
Municipal entities	NT
Public Private Partnerships	NT
Long-term contracts	NT
Borrowing	NT
ANNUALLY	
Appendix A	NT
Operating Statement Budget (OSB)	NT
New Budget Regulations 1 April 2009	NT/PT

33. **Audit units and audit committees**

The internal audit unit has been established during the beginning of the third quarter no audits have been concluded yet. The municipality has an audit committee in place comprising of independent members as required by section 166 of the MFMA.

4. **Risk management**

The municipality does not have a risk management unit and an **anti- fraud and corruption management strategy plan is not in place**. Risk assessment was conducted for the current year and the process for the next financial year in progress.

35. **Implementation of SCM**

The new supply chain management policy of the municipality, in line with the MFMA and national treasury prescripts, was adopted by council in July 2005.

All bid committees as required by the SCM regulations are in place and the bid adjudication is chaired by the chief financial officer and operates within delegated powers.

36. **Effectiveness of audit steering committees**

The audit steering committees is an ad-hoc committee established during the planning and execution of the annual audit. The committee usually comprise of officials of the Municipality, DBSA representative and the Auditor-General team performing the audit.

37. **Reduction of short-term debt**

This regulation is not applicable to the municipality as overdraft facilities are managed within the context of section 45 of the MFMA relating to short-term debt.

38. **Tabling of section 52 reports**

Section 52 reports are submitted to the council and also forwarded to provincial treasury on a quarterly basis. Further improvements will be made to the content and format to ensure enhanced compliance and quality.

39. **Delegations**

All delegations are in place and council approved the generic financial delegations in November 2011.

40. **Performance agreements**

The 2011/12 performance agreements of the municipal manager and directors were duly signed at the beginning of the first quarter of the financial year and other Managers as they were appointed. The new performance agreements for 2012/2013 will be finalised after the SDBIP has been approved.

1. **Implementation of GRAP/GAMAP**

The municipality converted to the GRAP standards since 2005/06 financial year key challenges for implementation of GRAP/GAMAP requirements are reflected in the audit report.

42. **Development of accounting policies**

Several accounting policies have been developed and currently in a process of review. The further development of accounting policies will be guided with exemptions as agreed with National Treasury on an annual basis.